

CITY OF EUREKA
FINANCIAL STATEMENTS
JUNE 30, 2013

**CITY OF EUREKA
ANNUAL FINANCIAL REPORT
June 30, 2013**

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**CITY OF EUREKA
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FINANCIAL SECTION



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Independent Auditor's Report

Honorable Mayor and City Council
City of Eureka
Eureka, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the City of Eureka (City), as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eureka, California, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 of the notes to the financial statements, effective July 1, 2012, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 61, *The Financial Report Entity: Omnibus*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that, the budgetary comparison schedules and the schedule of funding progress – local employees' retirement system on pages 77 through 80 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining nonmajor funds financial statements, nonmajor funds budgetary comparison schedules, the combining internal service funds financial statements, the agency fund statements, and the combining private purpose trust funds financial statements are presented for the purpose of additional analysis and are not required parts of the financial statements. The combining nonmajor funds financial statements, nonmajor funds budgetary comparison schedules, the combining internal service funds financial statements, the agency fund statements, and the combining private purpose trust funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial

statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
March 31, 2014

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CITY OF EUREKA
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 6,254,930	\$ 1,709,544	\$ 7,964,474
Cash and investments with fiscal agents	180,000	22,052,210	22,232,210
Accounts receivable	4,814,498	4,919,959	9,734,457
Interest receivable	1,616,007	187,691	1,803,698
Prepaid items	105,935	100,000	205,935
Inventory		3,690	3,690
Notes and loans receivable	10,361,140		10,361,140
Internal balances	(2,697,906)	2,697,906	
Land held for resale	524,368		524,368
Deferred charges, net of accumulated amortization		654,133	654,133
Due from RDA Successor Agency	656,101	5,146,773	5,802,874
Net pension asset	1,268,806		1,268,806
Capital assets, not being depreciated	28,735,305	32,837,462	61,572,767
Capital assets, net of accumulated depreciation	45,187,936	50,808,783	95,996,719
Total Assets	97,007,120	121,118,151	218,125,271
LIABILITIES			
Accounts payable	1,693,753	991,397	2,685,150
Payroll and related liabilities	409,901	107,543	517,444
Deposits payable	75,159	415,190	490,349
Accrued interest payable	31,467	557,636	589,103
Claims and judgments payable	226,336		226,336
Unearned revenue	33,550	112,160	145,710
Noncurrent liabilities:			
Due within one year	2,629,979	1,604,774	4,234,753
Due in more than one year	7,791,758	40,467,613	48,259,371
Total Liabilities	12,891,903	44,256,313	57,148,216
NET POSITION			
Net investment in capital assets	72,624,706	62,448,109	135,072,815
Restricted for:			
Public safety	519,948		519,948
Streets and roads	972,895		972,895
Housing	15,081,422		15,081,422
Airport	120,386		120,386
Unrestricted	(5,204,140)	14,413,729	9,209,589
Total Net Position	\$ 84,115,217	\$ 76,861,838	\$ 160,977,055

The notes to the basic financial statements are an integral part of this statement

**CITY OF EUREKA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,593,798	\$ 2,209,039	\$ 56,999	\$ -
Community development	1,757,218	201,418	920,929	
Public safety	17,814,730	921,529	1,088,050	
Public works	5,670,114	640,147	652,036	316,294
Parks and recreation	2,638,220	668,474		
Interest on long-term debt	33,601			
Total Governmental	<u>34,507,681</u>	<u>4,640,607</u>	<u>2,718,014</u>	<u>316,294</u>
Business-type activities:				
Water	6,287,307	6,784,733		
Wastewater	6,859,484	8,607,366		2,673,933
Harbor	1,084,837	683,974		
Building	815,596	819,289		
Transit	2,164,325	1,897,394		
Golf	29,804	27,702		
Total Business-type Activities	<u>17,241,353</u>	<u>18,820,458</u>		<u>2,673,933</u>
Total	<u>\$ 51,749,034</u>	<u>\$ 23,461,065</u>	<u>\$ 2,718,014</u>	<u>\$ 2,990,227</u>

General Revenues:

Property taxes
Sales taxes
Franchise fees
Motor vehicle in-lieu, unrestricted
Transient occupancy taxes
Business license tax
Investment earnings
Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net position - beginning of fiscal year

Prior period adjustments

Net Position - beginning of fiscal year, restated

Net Position - end of fiscal year

The notes to the basic financial statements are an integral part of this statement

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (4,327,760)	\$ -	\$ (4,327,760)
(634,871)		(634,871)
(15,805,151)		(15,805,151)
(4,061,637)		(4,061,637)
(1,969,746)		(1,969,746)
(33,601)		(33,601)
(26,832,766)		(26,832,766)
	497,426	497,426
	4,421,815	4,421,815
	(400,863)	(400,863)
	3,693	3,693
	(266,931)	(266,931)
	(2,102)	(2,102)
	4,253,038	4,253,038
(26,832,766)	4,253,038	(22,579,728)
4,065,538	214,476	4,280,014
14,554,058		14,554,058
853,679		853,679
13,986		13,986
2,032,949		2,032,949
235,026		235,026
401,770	47,452	449,222
1,408,295		1,408,295
(102,047)	102,047	
23,463,254	304,040	23,767,294
(3,369,512)	4,557,078	1,187,566
94,639,610	72,188,674	166,828,284
(7,154,881)	116,086	(7,038,795)
87,484,729	72,304,760	159,789,489
\$ 84,115,217	\$ 76,861,838	\$ 160,977,055

CITY OF EUREKA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2013

	General	Successor Housing Authority
ASSETS		
Cash and investments	\$ -	\$ 157,553
Cash and investments with fiscal agents	180,000	
Accounts receivable	4,391,431	
Interest receivable	10,601	(82)
Prepaid items	85,935	
Notes and loans receivable		8,354,657
Advances to RDA Successor Agency		656,101
Advances to other funds		
Land held for resale		524,368
Total Assets	<u>\$ 4,667,967</u>	<u>\$ 9,692,597</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 1,217,604	\$ 5,323
Due to other funds	660,343	
Deposits payable	75,009	
Payroll and related liabilities	369,305	2,557
Unearned revenue	402,449	8,354,657
Advances from other funds	34,605	
Total Liabilities	<u>2,759,315</u>	<u>8,362,537</u>
Fund Balances:		
Nonspendable:		
Prepaid expenditures	85,935	
Restricted		1,330,060
Unassigned	1,822,717	
Total Fund Balances	<u>1,908,652</u>	<u>1,330,060</u>
Total Liabilities and Fund Balances	<u>\$ 4,667,967</u>	<u>\$ 9,692,597</u>

The notes to the basic financial statements are an integral part of this statement

Other Governmental Funds	Total Governmental Funds
\$ 4,078,817	\$ 4,236,370
	180,000
416,749	4,808,180
3,496	14,015
	85,935
2,006,483	10,361,140
	656,101
34,605	34,605
	524,368
<u>\$ 6,540,150</u>	<u>\$ 20,900,714</u>

\$ 154,358	\$ 1,377,285
1,765,532	2,425,875
150	75,159
15,132	386,994
2,174,268	10,931,374
13,000	47,605
<u>4,122,440</u>	<u>15,244,292</u>

	85,935
3,403,617	4,733,677
(985,907)	836,810
<u>2,417,710</u>	<u>5,656,422</u>
<u>\$ 6,540,150</u>	<u>\$ 20,900,714</u>

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CITY OF EUREKA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2013

Fund balances of governmental funds \$ 5,656,422

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds because of the following:

Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the Governmental Funds Balance Sheet.

Capital assets	\$ 153,105,232	
Less: accumulated depreciation	<u>(79,181,991)</u>	73,923,241

Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet. (31,467)

The liabilities below are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.

Compensated absences	(1,402,308)	
PERS side fund	(7,720,894)	
Capital lease payable	<u>(516,056)</u>	(10,421,737)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. (net capital assets and compensated absences payable, reported above in the amount of \$1,580,789 and (\$49,223) respectively.). 1,222,294

In governmental funds, other long-term assets include accounts receivable and interest receivable on taxes and accounts receivable are not available to pay for current-period expenditures, and therefore, are offset by unearned revenue. 10,897,824

Net pension asset is not a current financial resource. Therefore, it is not reported in the Governmental Funds Balance Sheet. This amount is to be amortized in accordance with GASB No.27 and 45. 1,268,806

In governmental funds, other long-term assets are not available to pay for current-period expenditures:

Interest receivable on loans receivable	<u>1,599,834</u>	
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Net position of governmental activities \$ 84,115,217

The notes to the basic financial statements are an integral part of this statement

**CITY OF EUREKA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General	Successor Housing Authority
REVENUES		
Taxes	\$ 19,542,556	\$ -
Licenses, permits, and fees	940,600	
Fines and penalties	252,688	
Investment income	(4,294)	46,571
Intergovernmental	2,604,293	
Charges for services	3,792,428	14,113
Other revenues	639,770	849,350
Total Revenues	<u>27,768,041</u>	<u>910,034</u>
EXPENDITURES		
Current:		
General government	3,939,443	
Public safety	17,420,072	
Public works	2,511,940	
Community development	683,217	760,443
Culture and recreation	2,601,363	
Capital outlay	991,459	
Debt service:		
Principal payments	207,548	
Interest and fiscal charges	29,964	
Total Expenditures	<u>28,385,006</u>	<u>760,443</u>
Excess of Revenues Over (Under) Expenditures	<u>(616,965)</u>	<u>149,591</u>
OTHER FINANCING SOURCES (USES)		
Transfers in		
Transfers out	(104,714)	
Proceeds from capital leases	338,000	
Total Other Financing Sources (Uses)	<u>233,286</u>	
Net Changes in Fund Balances	<u>(383,679)</u>	<u>149,591</u>
Fund Balances, beginning of fiscal year	<u>2,292,331</u>	<u>1,180,469</u>
Fund Balances, end of fiscal year	<u>\$ 1,908,652</u>	<u>\$ 1,330,060</u>

The notes to the basic financial statements are an integral part of this statement

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 19,542,556
61,705	1,002,305
225,974	478,662
23,828	66,105
2,833,723	5,438,016
82,750	3,889,291
433,991	1,923,111
<u>3,661,971</u>	<u>32,340,046</u>
	3,939,443
862,664	18,282,736
898,769	3,410,709
336,335	1,779,995
	2,601,363
2,628,023	3,619,482
22,539	230,087
2,448	32,412
<u>4,750,778</u>	<u>33,896,227</u>
<u>(1,088,807)</u>	<u>(1,556,181)</u>
2,667	2,667
	(104,714)
444,479	782,479
<u>447,146</u>	<u>680,432</u>
<u>(641,661)</u>	<u>(875,749)</u>
<u>3,059,371</u>	<u>6,532,171</u>
<u>\$ 2,417,710</u>	<u>\$ 5,656,422</u>

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**CITY OF EUREKA
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGES IN FUND BALANCES \$ (875,749)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated lives and reported as depreciation expense.

(Does not include Internal Service Funds)

Capital outlay expenditures are therefore added back to fund balances	\$ 1,570,503	
Depreciation expense not reported in governmental funds	(2,705,547)	
Book value of capital assets sold	<u>(9,574)</u>	(1,144,618)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but in the Statement of Net Position, the costs are deferred and amortized throughout the period during which the related debt is outstanding. Repayment of debt principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Repayment of debt principal	230,087	
Proceeds from capital lease are deducted from fund balance	<u>(782,479)</u>	(552,392)

Notes receivable issued are expenditures, and principal payments on notes receivable are a revenue in the governmental funds; however, in the government-wide statements, these transactions increase or decrease the notes receivable and accrue interest on notes receivable.

Interest receivable	338,352	
Notes receivable	<u>(283,558)</u>	54,794

The amounts below included in the Statement of Activities do not provide (require) the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (net change):

Interest payable	(1,189)	
PERS side fund	273,515	
Compensated absences	<u>249,774</u>	522,100

Revenues that were not collected within 60 days of the fiscal year end and did not met the revenue recognition criteria in the Fund Financial Statements are recognized as revenue in the Government-Wide Financial Statements.		(1,122,216)
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Changes in net pension asset did not require the use of current financial resources or meet revenue recognition criteria in the Fund Financial Statements and therefore are not reported in governmental funds.		477,711
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental activities. (included net capital assets and compensated absences in the amount of (\$253,567) and \$3,175 respectively)		<u>(729,142)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ (3,369,512)</u></u>
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The notes to the basic financial statements are an integral part of this statement

**CITY OF EUREKA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2013**

ASSETS	Enterprise Funds		
	Water	Wastewater	Harbor
Current Assets:			
Cash and investments	\$ 1,501,825	\$ -	\$ -
Cash and investments with fiscal agents	8,081,292	13,970,918	
Accounts receivable - net	594,126	2,631,652	156,722
Interest receivable	8,960	46,428	(1,368)
Prepaid items			100,000
Inventory			
Due from other funds	5,292,977		
Total current assets	15,479,180	16,648,998	255,354
Noncurrent Assets:			
Deferred charges, net of accumulated amortization	462,188	191,945	
Advances to RDA Successor Agency	491,288	4,655,485	
Advances to other funds		25,748	
Total noncurrent assets	953,476	4,873,178	
Capital Assets:			
Nondepreciable			
Land	1,052,115	5,073,142	5,155,468
Construction in progress	3,812,140	17,319,682	
Total nondepreciable capital assets	4,864,255	22,392,824	5,155,468
Depreciable			
Infrastructure	10,301,360	4,655,482	
Buildings	542,334	5,959,429	4,646,614
Improvements	5,004,225	19,974,600	10,577,025
Equipment	16,060,077	31,799,067	1,116,705
Total depreciable capital assets	31,907,996	62,388,578	16,340,344
Less accumulated depreciation	(12,630,637)	(40,864,426)	(7,758,845)
Net depreciable capital assets	19,277,359	21,524,152	8,581,499
Total capital assets, net	24,141,614	43,916,976	13,736,967
Total capital and noncurrent assets	25,095,090	48,790,154	13,736,967
Total Assets	\$ 40,574,270	\$ 65,439,152	\$ 13,992,321

The notes to the basic financial statements are an integral part of this statement

Enterprise Funds				Governmental Activities - Internal Service Funds
Building	Transit	Golf	Totals	
\$ -	\$ -	\$ 207,719	\$ 1,709,544	\$ 2,018,560
			22,052,210	
620,062	917,397		4,919,959	6,318
133,386		285	187,691	2,158
			100,000	20,000
	3,690		3,690	
			5,292,977	
753,448	921,087	208,004	34,266,071	2,047,036
			654,133	
			5,146,773	
13,000			38,748	
13,000			5,839,654	
		418,075	11,698,800	
		6,840	21,138,662	
		424,915	32,837,462	
			14,956,842	
		50,244	11,198,621	429,246
		243,087	35,798,937	31,236
97,950	3,155,460		52,229,259	7,541,321
97,950	3,155,460	293,331	114,183,659	8,001,803
(58,499)	(1,820,736)	(241,733)	(63,374,876)	(6,421,014)
39,451	1,334,724	51,598	50,808,783	1,580,789
39,451	1,334,724	476,513	83,646,245	1,580,789
52,451	1,334,724	476,513	89,485,899	1,580,789
\$ 805,899	\$ 2,255,811	\$ 684,517	\$ 123,751,970	\$ 3,627,825

(Continued)

**CITY OF EUREKA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2013
(Continued)**

LIABILITIES	Enterprise Funds		
	Water	Wastewater	Harbor
Current Liabilities:			
Accounts payable	\$ 320,040	\$ 611,168	\$ 26,276
Payroll and related liabilities	32,582	53,296	8,556
Deposits payable	213,987	173,377	27,826
Due to other funds		408,812	720,874
Unearned revenue	19		112,141
Accrued interest payable	251,263	225,610	80,763
Claims and judgments payable			
Loan payable, current portion			86,177
Bonds payable, current portion	535,000	400,000	100,000
Capital lease payable, current portion	301,305		
Compensated absences, current portion	57,784	91,369	16,908
Unamortized premium, current portion	16,643	5,237	
Deferred loss on refunding, current portion	(34,709)		
Total current liabilities	1,693,914	1,968,869	1,179,521
Noncurrent Liabilities:			
Capital lease payable	981,418		
Loan payable			1,871,714
Advances from other funds			25,748
Bonds payable	18,895,000	18,520,000	105,000
Unamortized premium	283,894	201,067	
Deferred loss on refunding	(390,480)		
Total noncurrent liabilities	19,769,832	18,721,067	2,002,462
Total Liabilities	21,463,746	20,689,936	3,181,983
NET ASSETS			
Net investment in capital assets	11,282,376	37,740,969	11,574,076
Unrestricted	7,828,148	7,008,247	(763,738)
Total Net Position (Deficits)	\$ 19,110,524	\$ 44,749,216	\$ 10,810,338

The notes to the basic financial statements are an integral part of this statement

Enterprise Funds				Governmental Activities - Internal Service Funds
Building	Transit	Golf	Totals	
\$ 27,478	\$ 6,274	\$ 161	\$ 991,397	\$ 316,468
13,011		98	107,543	22,907
			415,190	
790,447	687,938		2,608,071	259,031
			112,160	
			557,636	
				226,336
			86,177	
			1,035,000	
			301,305	
28,658		402	195,121	49,223
			21,880	
			(34,709)	
859,594	694,212	661	6,396,771	873,965
			981,418	
			1,871,714	
			25,748	
			37,520,000	
			484,961	
			(390,480)	
			40,493,361	
859,594	694,212	661	46,890,132	873,965
39,451	1,334,724	476,513	62,448,109	1,580,789
(93,146)	226,875	207,343	14,413,729	1,173,071
\$ (53,695)	\$ 1,561,599	\$ 683,856	\$ 76,861,838	\$ 2,753,860

**CITY OF EUREKA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Enterprise Funds		
	Water	Wastewater	Harbor
Operating Revenues:			
Charges for services	\$ 6,763,039	\$ 5,836,745	\$ 683,974
Other operating revenues	21,694	2,770,621	
Intergovernmental			
Total Operating Revenues	<u>6,784,733</u>	<u>8,607,366</u>	<u>683,974</u>
Operating Expenses:			
Purchase of water	1,879,595		
Maintenance and operation	2,286,065	4,422,134	588,943
Administration	329,617	405,432	23,496
Insurance costs and claims	58,980	75,468	18,252
Depreciation	735,562	1,049,419	351,894
Total Operating Expenses	<u>5,289,819</u>	<u>5,952,453</u>	<u>982,585</u>
Operating Income (Loss)	<u>1,494,914</u>	<u>2,654,913</u>	<u>(298,611)</u>
Non-Operating Revenues (Expenses):			
Gain (loss) on sales of capital assets		(59,935)	
Taxes			214,476
Investment income	33,667	23,211	(6,798)
Interest expense	(997,488)	(907,031)	(102,252)
Total Non-Operating Revenue (Expense)	<u>(963,821)</u>	<u>(943,755)</u>	<u>105,426</u>
Income (Loss) Before Transfers and Capital Contributions	<u>531,093</u>	<u>1,711,158</u>	<u>(193,185)</u>
Capital contributions		2,673,933	
Transfers in			
Change in Net Position	<u>531,093</u>	<u>4,385,091</u>	<u>(193,185)</u>
Net Position (Deficits), beginning of fiscal year	18,389,021	40,170,988	11,080,183
Prior Period Adjustments	<u>190,410</u>	<u>193,137</u>	<u>(76,660)</u>
Net Position (Deficits), beginning of fiscal year, restated	<u>18,579,431</u>	<u>40,364,125</u>	<u>11,003,523</u>
Net Position (Deficits), end of fiscal year	<u>\$ 19,110,524</u>	<u>\$ 44,749,216</u>	<u>\$ 10,810,338</u>

The notes to the basic financial statements are an integral part of this statement

Enterprise Funds				Governmental Activities- Internal Service Funds
Building	Transit	Golf	Totals	
\$ 702,470	\$ 318,708	\$ 563	\$ 14,305,499	\$ 3,863,861
116,819		27,139	2,936,273	81,735
	1,578,686		1,578,686	
819,289	1,897,394	27,702	18,820,458	3,945,596
			1,879,595	
764,111	1,873,872	24,749	9,959,874	2,449,425
35,808		288	794,641	
7,656	28,644	408	189,408	1,797,020
8,021	261,809	4,359	2,411,064	425,887
815,596	2,164,325	29,804	15,234,582	4,672,332
3,693	(266,931)	(2,102)	3,585,876	(726,736)
			(59,935)	
			214,476	
(3,746)	(33)	1,151	47,452	(2,408)
			(2,006,771)	
(3,746)	(33)	1,151	(1,804,778)	(2,408)
(53)	(266,964)	(951)	1,781,098	(729,144)
			2,673,933	
102,047			102,047	
101,994	(266,964)	(951)	4,557,078	(729,144)
(155,689)	1,907,246	796,925	72,188,674	3,483,004
	(78,683)	(112,118)	116,086	
(155,689)	1,828,563	684,807	72,304,760	3,483,004
\$ (53,695)	\$ 1,561,599	\$ 683,856	\$ 76,861,838	\$ 2,753,860

**CITY OF EUREKA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Enterprise Funds		
	Water	Wastewater	Harbor
Cash Flows from Operating Activities:			
Receipts from customers/interfund charges	\$ 6,974,150	\$ 7,657,720	\$ 588,288
Payments to suppliers and users	(3,033,887)	(2,826,332)	(366,142)
Payments to employees	(1,585,598)	(2,260,466)	(312,720)
Net Cash Provided (Used) by Operating Activities	2,354,665	2,570,922	(90,574)
Cash Flows from Non-Capital Financing Activities:			
Transfers in (out)			
Due to/from other funds	(3,739,481)	408,812	101,569
Taxes received			280,304
Net Cash Provided (Used) by Non-Capital Financing Activities	(3,739,481)	408,812	381,873
Cash Flows from Capital and Related Financing Activities:			
Acquisitions of capital assets	(1,726,670)	(7,003,175)	
Capital grants received		2,673,933	
Interest paid	(906,732)	(879,740)	(105,654)
Principal payments - long-term debt	(804,243)	(395,000)	(177,466)
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,437,645)	(5,603,982)	(283,120)
Cash Flows from Investing Activities:			
Interest received (charged)	40,161	(19,875)	(8,179)
Net Cash Provided (Used) by Investing Activities	40,161	(19,875)	(8,179)
Net Increase (Decrease) in Cash and Cash Equivalents	(4,782,300)	(2,644,123)	
Cash and Cash Equivalents, July 1, 2012	14,365,417	16,615,041	
Cash and Cash Equivalents, June 30, 2013	<u>\$ 9,583,117</u>	<u>\$ 13,970,918</u>	<u>\$ -</u>
Reconciliation of Cash and Cash Equivalents To Statement of Net Position			
Cash and investments	\$ 1,501,825	\$ -	\$ -
Cash and investments with fiscal agents	8,081,292	13,970,918	
Total Cash and Cash Equivalents	<u>\$ 9,583,117</u>	<u>\$ 13,970,918</u>	<u>\$ -</u>

The notes to the basic financial statements are an integral part of this statement

Enterprise Funds				Governmental Activities - Internal Service Funds
Building	Transit	Golf	Totals	
\$ 582,502	\$ 1,238,623	\$ 27,702	\$ 17,068,985	\$ 3,944,082
(274,442)	(1,864,449)	(20,488)	(8,385,740)	(3,135,158)
(497,541)	(35,428)	(5,291)	(4,697,044)	(831,434)
(189,481)	(661,254)	1,923	3,986,201	(22,510)
102,047			102,047	
260,379	660,404		(2,308,317)	259,031
			280,304	
362,426	660,404		(1,925,966)	259,031
(34,500)			(8,764,345)	(172,320)
			2,673,933	
			(1,892,126)	
			(1,376,709)	
(34,500)			(9,359,247)	(172,320)
(138,445)	850	1,371	(124,117)	605
(138,445)	850	1,371	(124,117)	605
		3,294	(7,423,129)	64,806
		204,425	31,184,883	1,953,754
\$ -	\$ -	\$ 207,719	\$ 23,761,754	\$ 2,018,560
\$ -	\$ -	\$ 207,719	\$ 1,709,544	\$ 2,018,560
			22,052,210	
\$ -	\$ -	\$ 207,719	\$ 23,761,754	\$ 2,018,560

(Continued)

**CITY OF EUREKA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013
 (Continued)**

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Harbor</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 1,494,914	\$ 2,654,913	\$ (298,611)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	735,562	1,049,419	351,894
(Increase) Decrease in Operating Assets:			
Accounts receivable	128,585	(1,123,023)	(93,970)
Prepaid expenses		1,148	(5,000)
Inventory			
Increase (Decrease) in Operating Liabilities:			
Accounts payable	(25,871)	(168,188)	(46,941)
Deposits payable	60,885	173,377	(1,716)
Unearned revenue	(53)		
Payroll and related liabilities	888	4,439	549
Claims and judgments payable			
Compensated absences	(40,245)	(21,163)	3,221
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,354,665</u>	<u>\$ 2,570,922</u>	<u>\$ (90,574)</u>

The notes to the basic financial statements are an integral part of this statement

Enterprise Funds				Governmental Activities - Internal Service Funds
Building	Transit	Golf	Totals	
\$ 3,693	\$ (266,931)	\$ (2,102)	\$ 3,585,876	\$ (726,736)
8,021	261,809	4,359	2,411,064	425,887
(236,787)	(658,771)		(1,983,966)	(1,514)
	(2,027)		(3,852)	64,799
			(2,027)	
21,011	4,666	(368)	(215,691)	122,086
			232,546	
			(53)	
2,413			8,289	3,797
				85,996
12,168		34	(45,985)	3,175
<u>\$ (189,481)</u>	<u>\$ (661,254)</u>	<u>\$ 1,923</u>	<u>\$ 3,986,201</u>	<u>\$ (22,510)</u>

**CITY OF EUREKA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2013**

	Agency Fund	Trust Funds	
	Trust Holding	Fire and Police Pension Benefits Plan	Private Purpose Trust Funds
ASSETS			
Cash and investments	\$ 153,895	\$ 75,745	\$ 2,712,678
Cash and Investments with Fiscal Agent, Restricted			1,070,966
Interest Receivable			3,205
Notes Receivable			16,911
Notes Receivable - Allowance			(16,911)
Other Receivable			17,547
Deferred Charges, Net of Accumulated Amortization			364,553
Land held for resale			4,488,678
Capital Assets, Not Being Depreciated			243,635
Capital Assets, Net of Accumulated Depreciation			2,069,197
	<u>\$ 153,895</u>	<u>75,745</u>	<u>10,970,459</u>
Total Assets			
	<u>\$ 153,895</u>	<u>75,745</u>	<u>10,970,459</u>
LIABILITIES			
Accounts payable	\$ 150	17,779	22,196
Payroll payable		6	3,774
Interest payable			214,032
Advance payable to City			5,802,874
Deposits payable	153,745		
Unearned revenue			1,480,779
Noncurrent Liabilities:			
Due within One Year			1,252,491
Due in More than One Year			23,299,515
	<u>\$ 153,895</u>	<u>17,785</u>	<u>32,075,661</u>
Total Liabilities			
	<u>\$ 153,895</u>	<u>17,785</u>	<u>32,075,661</u>
Net Position (Deficits)			
Held in trust for pension benefits		57,960	
Unrestricted			(21,105,202)
		<u>\$ 57,960</u>	<u>\$ (21,105,202)</u>
Total Net Position (Deficits)			
		<u>\$ 57,960</u>	<u>\$ (21,105,202)</u>

The notes to the basic financial statements are an integral part of this statement

**CITY OF EUREKA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2013**

	Trust Funds	
	Fire and Police Pension Benefits Plan	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 466,199	\$ -
Taxes		3,650,891
Fines and penalties	174	
Investment income		8,842
Intergovernmental		69,429
Charges for services		11,681
Other revenues		12,687
Total Additions	466,373	3,753,530
DEDUCTIONS		
Benefits	441,121	
Administration		430,407
Depreciation		57,713
Community development		648,203
Interest expense		1,434,869
Pass-through payments		1,646,062
Total Deductions	441,121	4,217,254
Changes in net position	25,252	(463,724)
Net Position (Deficits) - beginning of fiscal year	32,708	(18,699,391)
Prior Period Adjustments		(1,942,087)
Net Position (Deficits), beginning of fiscal year, restated	32,708	(20,641,478)
Net Position (Deficits) - end of fiscal year	\$ 57,960	\$ (21,105,202)

The notes to the basic financial statements are an integral part of this statement

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NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Eureka have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The City of Eureka was incorporated as a town on April 18, 1856, under a special act of the legislature, reincorporated as a city on February 19, 1874, and incorporated under a Freeholder's Charter on February 18, 1895. The City operates under a Council-Manager form of government and is governed by an elected mayor and five elected city council members. The City provides the following services as authorized by its charter: public safety (police and fire), streets and highways, public improvements, land use, building and housing standards, culture-recreation programs, parks and recreation areas, utilities, public transit, and administrative and fiscal services.

As required by accounting principles generally accepted in the United States of America, these basic financial statements present financial information for the City of Eureka (the primary government) and its component units. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize their legal separateness from the City. Each blended component unit has a fiscal year end of June 30. The blended component units are included in the City's reporting entity because of the significance of their operational and financial relationships with the City.

Blended Component Units

The following blended component units are included in the reporting entity as though they were part of the primary government. Separate financial statements for the blended component units are in file at the offices of the City of Eureka at 531 K Street, Eureka, California 95501.

EUREKA PUBLIC FINANCING AUTHORITY

The City created the Eureka Public Financing Authority to sell bonds and lend the proceeds of bond issues to Eureka Redevelopment Agency. The City Council also functions as the Board of the Eureka Public Financing Authority. The City performs all administrative, budgeting, and accounting functions of the Authority.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Blended Component Units (Continued)

Joint Ventures

HUMBOLDT/DEL NORTE HAZARDOUS MATERIAL RESPONSE AUTHORITY

The Hazardous Materials Response Authority was created as a separate legal entity by a joint powers agreement between the Counties of Humboldt and Del Norte, and the Cities of Eureka, Crescent City, Arcata, Blue Lake, Fortuna, Ferndale, Rio Dell, and Trinidad. The purpose of this joint venture is to pool resources of the participants to provide a united, coordinated, orderly, positive, and more effective means for aiding and assisting in the formulation, administration, implementation, and maintenance of an area-wide hazardous materials response team.

The Authority is governed by a board of directors composed of one member and an alternate appointed by each participant. The Authority adopts its own budget and has the power to incur debts, liabilities, or obligations. The City of Eureka is responsible for directing the operations of the Hazardous Materials Response Teams and for the accounting of the Authority. The Authority is recorded as a private purpose trust fund of the City. The Authority in turn reimburses the City for the costs of operation and accounting services. Upon commencement of the Authority, the participants agreed to contribute a proportionate share of the costs of operation based on population. The participants do not have an on-going equity interest in the Authority. However, the participants do share the operation costs of the Authority. At termination of the agreement, all surplus monies will be returned to the participants in proportion to the amounts received by the Authority; property shall be divided in a manner agreed upon by the participants. Complete financial statements for the Hazardous Materials Response Authority are on file at the offices of the City of Eureka at 531 K Street, Eureka, California 95501.

HUMBOLDT TRANSIT AUTHORITY

The Transit Authority was created as a separate legal entity by a joint powers agreement between the County of Humboldt and the Cities of Fortuna, Eureka, Arcata, Trinidad, and Rio Dell. The governing board consists of a city council member and an alternate member appointed from each participating city, as well as two board members and up to two alternate members appointed by the Humboldt County Board of Supervisors.

The Authority is responsible for adopting its own budget and has the power to incur debts, liabilities, or obligations. On commencement of operations of the Authority, the County contributed 50 percent of the initial equity, and the participating cities jointly contributed 50 percent based upon population data. The participants do not have an on-going equity interest in the Authority. However, the participants do share operating costs of the Authority, and the current share of the City of Eureka is 25.6 percent. At termination of the agreement, all surplus monies will be returned to the participants in proportion to the amounts received; and property shall be divided in a manner agreed upon by the parties. Complete financial statements for Humboldt Transit Authority may be obtained at the offices of the Authority at 133 V Street, Eureka, California, 95501.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Joint Ventures (Continued)

HUMBOLDT WASTE MANAGEMENT AUTHORITY

The Humboldt Waste Management Authority was created as a separate entity by a joint powers agreement between the County of Humboldt and the Cities of Arcata, Eureka, Blue Lake, Ferndale, and Rio Dell. The governing board consists of one director and one alternate appointed by each member of the Authority. The Authority is responsible for adopting its own budget and has the power to incur debts, liabilities, or obligations.

The Authority was formed in October 1999 for the purpose of providing economical coordination of solid waste management services and efficiently and fairly assuring against potential adverse effects of past solid waste management services within the service area. It is intended that the Authority shall develop and fund programs for the (A) Siting, permitting, developing, constructing, maintaining, operating, or contracting for the construction and/or from operation of disposal sites, transfer facilities and equipment, materials recovery facilities, waste-to-energy facilities, and/or solid waste landfills; (B) preparing and implementing an Integrated Waste Management Plan and other planning documents; (C) disposal of waste generated in the incorporated and unincorporated area of the County and the granting of franchises for waste hauling; (D) planning, implementing, and supervising programs which serve all or most jurisdictions, including facilities, special wastes, and recycling market development. The general purpose also includes establishment of pooled insurance and other financial mechanisms to provide for the safe closure and long-term post-closure maintenance of the Cummings Road Sanitary Landfill (when closed). This may include ownership and/or management of the landfill during the final stages of the landfill's active life, during closure, and thereafter. Upon dissolution, the remaining assets of the Authority, after payment of or adequate provision for all debts, liabilities, and obligations of the Authority, shall be divided among the members in accordance with a unanimous agreement among them or in proportion to the total tonnage of solid waste each member caused to be delivered to the transfer facility. Financial statements may be obtained at the Humboldt Waste Management Authority, located at 1059 West Hawthorne Street, Eureka, California 95501.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The City's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities and business-type activities for the City, the primary government, accompanied by a total column. Fiduciary activities (either funds or component units) of the City are not included in these statements.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

Government-wide Financial Statements (Continued)

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement on Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated, also interfund services provided and used are not eliminated. The following interfund activities have been eliminated:

- Due to, Due from other funds
- Advances to, Advances from other funds
- Transfers in, Transfers out

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Fund financial statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

Fund financial statements (Continued)

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after fiscal year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue, and certain charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Unearned revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unearned revenue is removed from the balance sheet and revenue is recognized.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Proprietary fund financial statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for all proprietary funds.

Columns representing internal service funds are also presented in these statements. However, internal service fund balances and activities have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

Proprietary fund financial statements (Continued)

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary fund financial statements

Fiduciary fund financial statements include a Statement of Net Position and Statement of Changes in Net Position. The City's fiduciary funds are accounted for according to the nature of the fund. The City has two such funds which are accounted for using "economic resources" measurement focus and the accrual basis of accounting are the proprietary funds explained above. The one Agency fund of the City does not use or have a measurement focus.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the "economic resources" measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The government reports the following major governmental funds:

The **General fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Successor Housing Authority fund** accounts for the low and moderate income housing program previously administrated by the Redevelopment Agency low and moderate income housing fund.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

The government reports the following major proprietary funds:

The **Water** fund is used to account for the operation and maintenance of the City's water utility. Revenues are primarily user charges. Rates are set periodically by the City Council.

The **Wastewater** fund is used to account for the operation and maintenance of the City's sewer utility.

The **Harbor** fund is used for administration and operation of the Humboldt Bay Harbor.

The **Building** fund is used for administration of construction regulation programs, building code enforcement, and public information programs.

The **Transit** fund is used for administration and operation of the Eureka Transit System and Dial-a-Ride/Lift program, as well as the City's share of a county-wide transit system.

The **Golf** fund is used for the administration of the Municipal Golf Course.

Additionally, the government reports the following fund types:

Governmental Fund Types

The Special Revenue Funds are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. These funds are required by statute or ordinance to finance particular functions or activities of government.

The Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

The Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and related costs on long-term obligations.

Proprietary Fund Type

Internal service funds account for data processing, fleet management services, risk management, and redevelopment administration to other departments or agencies of the government on a cost reimbursement basis. Transactions for interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

Fiduciary Fund Type

The pension trust fund accounts for the activities of the public safety employee's retirement system, which accumulates resources for pension benefit payments to qualified public safety employees.

The private-purpose trust fund accounts for the activities of the Humboldt Del Norte Hazard Materials Response Authority and the Redevelopment Agency Successor Agency.

The Agency Fund is used to account for funds received and held by the City in a custodial capacity.

Recognition of Interest Liability

Interest expenditures on long-term debt within governmental funds are recognized when payment is due. Proprietary fund interest expense is recognized as the liability is incurred.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates and assumptions.

D. Assets, liabilities, and net position or equity

1. Deposits and Investments

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents.

In accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Under provisions of the City's investment policy, the City may invest in any instruments authorized by Section 53601 of the California Government Code.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pool funds in Structured Notes and Asset-backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-backed Securities are subject to market risk as to change in interest rates.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

1. Deposits and Investments (Continued)

Monies held by bond trustees are invested, as followed by California Government Code Section 53601 (1), in accordance with the provisions of the respective bond indentures involved.

During the fiscal year, the City may have held Structured Notes. Structured Notes are debt securities (other than Asset-backed Securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options. They are issued by corporations and government-sponsored enterprises such as the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC). These securities could be called prior to maturity, depending on changes in interest rates.

For purposes of reporting cash flows, the City considers each fund's share in the cash and investments pool to be cash and cash equivalents, including cash with fiscal agents.

2. Receivables and payables

Advances to other funds

For governmental fund types, noncurrent portions of long term interfund loans receivable are equally offset by a restricted fund balance which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of long term interfund loans receivable are considered "available spendable resources".

3. Inventory and prepaid items

Inventories of supplies are expended when purchased because the amounts are not considered to be material. Inventory of land held for resale is valued at the lower of cost or net realizable value. Payments made to vendors for services that will benefit periods beyond June 30, 2013 are recorded as prepaid items.

4. Restricted Assets

Fiscal agents acting on behalf of the city hold investment funds arising from the proceeds of long-term debt issuances. The funds may be used for specific capital outlays or for the payment of certain bonds, certificate of participation, or tax allocation bonds and have been invested only as permitted by specific State statutes or applicable City ordinance, resolution, or bond indenture.

Use of Restricted and Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to apply restricted net position first.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

5. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$5,000 including infrastructure. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Water system	20-50 years
Sewer system	15-50 years
Buildings	30-50 years
Improvements-not buildings	20-40 years
Machinery and equipment	3-20 years
Infrastructure	15-50 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included infrastructure acquired or constructed in the Basic Financial Statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, sewer, and park lands. Each major infrastructure system can be divided into subsystems. For example the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping, and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the business-type funds as part of the asset cost. For the fiscal year ended June 30, 2013, no interest was capitalized.

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

7. Long-Term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Net Position and Fund Balance

Net Position and Fund Balance - In the government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements, net position is reported in three categories: net investment in capital assets; restricted net position, and unrestricted net position. Restricted net position represents net position restricted by parties outside of the City (such as creditors, grantors, contributors, and laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The City's other restricted net position is temporarily restricted (ultimately expendable assets). All other net position is considered unrestricted.

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

8. Net Position and Fund Balance (Continued)

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

9. Property Taxes

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

9. Property Taxes (Continued)

Property Valuations – are established by the Assessor of the County of Humboldt for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution Proposition 13 adopted by the voters on June 6, 1978) properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Levies – are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates – are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections – are the responsibility of the county tax collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments.

The County of Humboldt levies, bills, and collects property taxes and special assessments for the City. Property taxes levied are recorded as revenue when received, in the fiscal year of levy, due to the adoption of the “alternate method of property tax distribution”, known as the Teeter Plan, by the City and the County of Humboldt. The Teeter Plan authorizes the Auditor/Controller of the County of Humboldt to allocate 100 percent of the secured property taxes billed, but not yet paid. The County of Humboldt remits tax monies to the City in three installments as follows:

50 percent remitted in December
45 percent remitted in April
5 percent remitted in June

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements*. For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements.” The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of this Statement did not have an effect on these financial statements.

Governmental Accounting Standards Board Statement No. 61 – *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 61, “The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34.” The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The implementation of this Statement did not have an effect on these financial statements.

Governmental Accounting Standards Board Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.” The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) Statements and Interpretations, (2) Accounting Principles Board Opinions, and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure. The implementation of this Statement will *eliminate* the need to disclose a statement in the SSAP footnote that proprietary fund types apply all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before Nov. 30, 1989 that are not in conflict with applicable GASB pronouncements. This also removes the requirement to disclose whether the entity has implemented any pronouncements subsequent to Nov. 30, 1989. The implementation of this Statement did not have an effect on these financial statements.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to establish guidance for reporting deferred outflows or resources, deferred inflows of resources, and net position in a statement of financial position. This Statement sets forth framework that specifies where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities should be displayed. This Statement also specifies how net position, no longer referred to as net position, should be displayed. Implementation of the Statement is explained in Note 16 - Net Position and Fund Balances.

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

a. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position.

The governmental funds balance sheet includes a reconciliation between fund balance of total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. Each element of the reconciliation is explained in detail on the face of the statement.

b. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances of total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. Each element of the reconciliation is explained in detail on the face of the statement.

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Annual appropriated budgets are adopted for all funds of the City. Appropriations include amounts encumbered at fiscal year-end as these encumbrances are not reappropriated in the following year. All annual appropriations lapse at fiscal year end. Legally adopted budgetary appropriations are enacted at the departmental level for current operating expenditures, with separate appropriations for capital and other projects, debt service, reserves, transfers and contingencies. Expenditures cannot legally exceed appropriations at these control levels. Amendments to the budget at the legal appropriation level must be approved by City Council. Amendments to the budget at less than the legal appropriation level may be made by management.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary information (Continued)

Project-length financial plans are adopted for capital and other projects. Appropriations for these projects are included in the annual appropriated budgets for each of the applicable funds. Unspent project amounts are included in the annual budgets of subsequent years until project completion.

Budgetary financial statements include revenues and expenditures which are presented in accordance with Accounting Principles Generally Accepted in the United States of America (USGAAP).

Formal budgetary integration is employed as a management control device. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at fiscal year-end commitments will be re-appropriated and honored during the subsequent year.

B. Excess of expenditures over appropriations.

There was an excess of expenditures over appropriations in the Special Police Special Revenue Fund in the amount of \$1,121,432.

There was an excess of expenditures over appropriations in the Parking Special Revenue Fund in the amount of \$15,172.

There was an excess of expenditures over appropriations in the Capital Improvements Special Revenue Fund in the amount of \$152,386.

C. Deficit fund equity/net position

Major funds

The Building Enterprise fund had a deficit net position balance of \$53,695 as of June 30, 2013. This is a result of higher deposit activity in the past two fiscal years because of increased enforcement. This should be alleviated as more deposits are recognized as revenue.

Nonmajor funds

The Habitat Acquisition and Restoration Special Revenue Fund had a deficit balance at June 30, 2013 of \$166,963. The deficit balance is due primarily to a 10% retainer held by the state on a grant for the Palco Marsh restoration project. The deficit balance will be substantially reversed as the State releases the retained funds.

The Environmental Programs Special Revenue Fund had a deficit balance at June 30, 2013 of \$1,851. The deficit is due to the City incurring costs in advance of receiving revenue.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

C. Deficit fund equity/net asset (Continued)

The Demolition Projects Special Revenue Fund had a deficit balance at June 30, 2013 of \$817,093. The deficit is due to the City incurring costs in advance of receiving revenue.

Internal Service fund

The Risk Management Internal Service Fund had a deficit balance at June 30, 2013 of \$642,252. The deficit is due to the City incurring costs in advance of receiving revenue.

NOTE 4 CASH AND INVESTMENTS

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Position	Fiduciary Fund Statement of Net Position	Total
Cash and investments	\$ 7,964,474	\$ 2,942,318	\$ 10,906,792
Cash and investments with fiscal agents	<u>22,232,210</u>	<u>1,070,966</u>	<u>23,303,176</u>
Total Cash and Investments	<u>\$ 30,196,684</u>	<u>\$ 4,013,284</u>	<u>\$ 34,209,968</u>

Cash and investments at June 30, 2013 consisted of the following:

Cash on hand	\$ 4,085
Deposits with financial institutions	441,318
Investments	<u>33,764,565</u>
Total Cash and Investments	<u>\$ 34,209,968</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 CASH AND INVESTMENTS (Continued)

A. Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City of Eureka (City) by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
Bankers Acceptances	180 days	40%	None
Certificates of Deposits	180 days	20%	None
Negotiable Certificates of Deposit	2 years	30%	None
Commercial Paper	270 days	25%	None
Corporate Medium Term Notes	5 years	30%	None
State of California Local Agency Investment Fund (State Pool)	N/A	Unlimited	\$50,000,000
Money Market Funds	N/A	Unlimited	None
Passbook Savings and Money Market Accounts (Insured)	None	Unlimited	None
U.S. Treasury Obligations	None	Unlimited	None
U.S. Government Agency Issues	None	Unlimited	None
Repurchase Agreements	30 days	10%	None
Mortgage pass-through and asset backed securities	5 years	20%	None

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 CASH AND INVESTMENTS (Continued)

B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the Investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Certificates of Deposit with Banks and Savings & Loans	None	None	None
United States Treasury Obligations	None	None	None
United States Government Sponsored Enterprise Securities	None	None	None
Municipal Obligations	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
State of California Local Agency Investment Fund (State Pool)	None	None	None

C. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 CASH AND INVESTMENTS (Continued)

C. Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	Over 60 Months
Money Market Funds	\$ 348,988	\$ 348,988	\$ -	\$ -	\$ -
Federal Agency Securities	3,345,449	1,005,924	1,718,756	620,769	
State Investment Pool	2,873,235	2,873,235			
Certificates of Deposit	1,521,229	1,521,229			
Commercial Paper	336,845	336,845			
Corporate Medium Term Notes	1,123,038	344,163	581,301	197,574	
U.S. Treasury Notes	1,092,605	331,156	558,000	203,449	
Held by Bond Trustees:					
Money Market Funds	23,123,176	23,123,176			
Total	<u>\$ 33,764,565</u>	<u>\$ 29,884,716</u>	<u>\$ 2,858,057</u>	<u>\$ 1,021,792</u>	<u>\$ -</u>

D. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

E. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 CASH AND INVESTMENTS (Continued)

E. Disclosures Relating to Credit Risk (Continued)

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
Money Market Funds	\$ 348,988	N/A	\$ -	\$ 348,988	\$ -	\$ -	\$ -
Federal Agency Securities	3,345,449	N/A			3,345,449		
State Investment Pool	2,873,235	N/A					2,873,235
Certificates of Deposit	1,521,229	N/A					1,521,229
Commercial Paper	336,845	N/A				336,845	
Corporate Medium Term Notes	1,123,038	N/A			801,959	321,079	
U.S. Treasury Notes	1,092,605	N/A	1,092,605				
Held by Bond Trustees:							
Money Market Funds	23,123,176	N/A		23,123,176			
Total	\$ 33,764,565		\$ 1,092,605	\$ 23,472,164	\$ 4,147,408	\$ 657,924	\$ 4,394,464

F. Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments.

G. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2013, all of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts as required by the California Government Code. As of June 30, 2013, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 CASH AND INVESTMENTS (Continued)

G. Custodial Credit Risk (Continued)

<u>Investment Type</u>	<u>Reported Amount</u>
Federal Agency Securities	\$ 3,345,449
Certificates of Deposit	792,417
Commercial Paper	336,845
Corporate Medium Term Notes	1,123,038
U.S. Treasury Notes	1,092,605

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 5 RECEIVABLES

Receivables as of fiscal year end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Accounts</u>	<u>Accrued Interest</u>	<u>Totals</u>
Governmental Funds:			
General	\$ 4,391,431	\$ 10,601	\$ 4,402,032
Successor Housing Authority		(82)	(82)
Nonmajor Governmental Funds	416,749	3,496	420,245
Total - Governmental Funds	<u>\$ 4,808,180</u>	<u>\$ 14,015</u>	<u>\$ 4,822,195</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 RECEIVABLES (Continued)

Governmental funds report unearned revenues in connection with receivables for revenues and notes and loans that are not considered to be available to liquidate liabilities of the current period. As of June 30, 2013, the various components of unearned revenue are as follows:

Unearned Revenue:

Governmental Funds:

General	\$ 402,449
Successor Housing Authority	8,354,657
Nonmajor Governmental Funds	<u>2,174,268</u>
Total Unearned Revenues	<u><u>\$ 10,931,374</u></u>

Receivables as of fiscal year end for the government's individual enterprise funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Accounts</u>	<u>Accrued Interest</u>	<u>Totals</u>
Enterprise Funds:			
Water	\$ 594,126	\$ 8,960	\$ 603,086
Wastewater	2,631,652	46,428	2,678,080
Harbor	156,722	(1,368)	155,354
Building	620,062	133,386	753,448
Transit	917,397		917,397
Golf		285	285
Total - Enterprise Funds	<u><u>\$ 4,919,959</u></u>	<u><u>\$ 187,691</u></u>	<u><u>\$ 5,107,650</u></u>

Receivables of the Water and Wastewater funds are reported net of nominal uncollectible accounts in the amount of \$22,258 and \$12,347 respectively.

Notes and Loans Receivable

The following schedule summarizes notes and loans receivable as of June 30, 2013:

Successor Housing Authority Fund Notes Receivable	\$ 8,354,657
Housing Special Revenue Fund Loans Receivable	<u>2,006,483</u>
Total Notes Receivable, Governmental Funds	<u><u>\$ 10,361,140</u></u>

These notes and loans represent amounts loaned to individuals and businesses to assist in the elimination of blight and/or assist in purchasing or rehabilitation of residences or businesses.

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. Normally these balances occur as a result of expenditures/ expenses being paid prior to receiving revenue which causes a deficit in pooled cash. The composition of interfund balances as of June 30, 2013 is as follows:

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

A. Due to/ from other fund

Receivable Funds	Payable Funds	Amount
Major Water Enterprise Fund	General Fund	\$ 660,343
	Nonmajor Habitat Acquisition and Restoration Special Revenue Fund	166,014
	Nonmajor Environmental Programs Special Revenue Fund	8,132
	Nonmajor Special Police Special Revenue Fund	776,680
	Nonmajor Capital Improvements Special Revenue Fund	6,709
	Nonmajor Demolition Projects Special Revenue Fund	807,997
	Major Wastewater Enterprise Fund	408,812
	Major Harbor Enterprise Fund	720,874
	Major Building Enterprise Fund	790,447
	Major Transit Enterprise Fund	687,938
	Risk Management Internal Service Fund	259,031
		<u>\$ 5,292,977</u>

B. Advances to/from other funds

During 1994-95 the General Fund borrowed \$199,930 from the Housing special revenue fund, for payment of a lease obligation. The City is repaying the advance over a twenty-year period with interest. The outstanding balance as of June 30, 2013 was \$34,605.

The Harbor fund borrowed \$53,408 in 2000 from the Wastewater fund to complete the Public Marina/Boat Basin Capital Project and is repaying this advance over a fifteen year period. The outstanding balance as of June 30, 2013 was \$25,748.

During the fiscal year 2010, the Demolition projects fund borrowed \$13,000 from the building fund to cover abatement work. The outstanding balance as of June 30, 2013 was \$13,000.

Receivable Funds	Payable Funds	Amount
Nonmajor Housing Fund	General Fund	\$ 34,605
Major Wastewater Enterprise Fund	Major Harbor Enterprise Fund	25,748
Major Building Enterprise Fund	Nonmajor Demolition Projects Fund	13,000
		<u>\$ 73,353</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

C. Interfund transfers

Interfund transfers are made on a routine basis for project expenditures and interfund debt service payments.

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Major Building Enterprise Fund	General Fund	\$ 102,047
Nonmajor Special Police Fund	General Fund	2,667
		<u>\$ 104,714</u>

NOTE 7 CAPITAL ASSETS

A summary of changes in the Governmental Activities capital assets at June 30, 2013 is as follows:

	<u>Balance at July 1, 2012</u>	<u>Prior Period Adjustments</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers / Adjustments</u>	<u>Balance at June 30, 2013</u>
Capital assets, not being depreciated:						
Land	\$ 3,692,899	\$ -	\$ -	\$ -	\$ -	\$ 3,692,899
Infrastructure	23,922,864					23,922,864
Construction in progress	6,085,890	839,528	330,550		(6,373,221)	882,747
Artwork	236,795					236,795
Total capital assets, not being depreciated	<u>33,938,448</u>	<u>839,528</u>	<u>330,550</u>		<u>(6,373,221)</u>	<u>28,735,305</u>
Capital assets, being depreciated:						
Buildings	16,258,748		19,801	(13,677)	2,986,929	19,251,801
Improvements other than buildings	14,987,103		2,048		66,847,202	81,836,353
Machinery and equipment	13,235,575		1,365,606	(9,863)	935,516	15,526,834
Infrastructure	72,132,547		21,818	(3,000)	(64,396,426)	7,754,939
Total capital assets being depreciated	<u>116,613,973</u>		<u>1,409,273</u>	<u>(26,540)</u>	<u>6,373,221</u>	<u>124,369,927</u>
Less accumulated depreciation for:						
Buildings	(6,119,762)		(406,945)	4,103		(6,522,604)
Improvements other than buildings	(2,591,614)		(314,917)		(56,950,205)	(59,856,736)
Machinery and equipment	(10,136,762)		(759,935)	9,863		(10,886,834)
Infrastructure	(57,219,385)		(1,649,637)	3,000	56,950,205	(1,915,817)
Total accumulated depreciation	<u>(76,067,523)</u>		<u>(3,131,434)</u>	<u>16,966</u>		<u>(79,181,991)</u>
Total capital assets being depreciated, net	<u>40,546,450</u>		<u>(1,722,161)</u>	<u>(9,574)</u>	<u>6,373,221</u>	<u>45,187,936</u>
Governmental activities capital assets, net	<u>\$74,484,898</u>	<u>\$ 839,528</u>	<u>\$ (1,391,611)</u>	<u>\$ (9,574)</u>	<u>\$ -</u>	<u>\$ 73,923,241</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 2,574,027
Public safety	112,582
Public works	444,825
Total depreciation expense - governmental activities	<u>\$ 3,131,434</u>

A summary of changes in the Business-type Activities capital assets at June 30, 2013 is as follows:

	Balance at July 1, 2012	Prior Period Adjustments	Restated Balance at July 1, 2012	Additions	Reductions	Transfers / Adjustments	Balance at June 30, 2013
Capital assets, not being depreciated:							
Land	\$ 11,698,800	\$ -	\$ 11,698,800	\$ -	\$ -	\$ -	\$ 11,698,800
Construction in progress	13,043,007	162,399	13,205,406	8,684,745		(751,489)	21,138,662
Total capital assets, not being depreciated	<u>24,741,807</u>	<u>162,399</u>	<u>24,904,206</u>	<u>8,684,745</u>		<u>(751,489)</u>	<u>32,837,462</u>
Capital assets, being depreciated:							
Buildings	10,842,059		10,842,059			356,562	11,198,621
Improvements other than buildings	35,798,937		35,798,937				35,798,937
Machinery and equipment	52,768,573		52,768,573	79,600	(618,914)		52,229,259
Infrastructure	14,561,915		14,561,915			394,927	14,956,842
Total capital assets being depreciated	<u>113,971,484</u>		<u>113,971,484</u>	<u>79,600</u>	<u>(618,914)</u>	<u>751,489</u>	<u>114,183,659</u>
Less accumulated depreciation for:							
Buildings	(5,539,239)		(5,539,239)	(215,177)			(5,754,416)
Improvements other than buildings	(19,776,522)		(19,776,522)	(594,065)			(20,370,587)
Machinery and equipment	(34,110,076)		(34,110,076)	(1,237,789)	558,979		(34,788,886)
Infrastructure	(2,096,954)		(2,096,954)	(364,033)			(2,460,987)
Total accumulated depreciation	<u>(61,522,791)</u>		<u>(61,522,791)</u>	<u>(2,411,064)</u>	<u>558,979</u>		<u>(63,374,876)</u>
Total capital assets being depreciated, net	<u>52,448,693</u>		<u>52,448,693</u>	<u>(2,331,464)</u>	<u>(59,935)</u>	<u>751,489</u>	<u>50,808,783</u>
Business-type activities capital assets, net	<u>\$ 77,190,500</u>	<u>\$ 162,399</u>	<u>\$ 77,352,899</u>	<u>\$ 6,353,281</u>	<u>\$ (59,935)</u>	<u>\$ -</u>	<u>\$ 83,646,245</u>

Depreciation was charged to business – type activities as follows:

Business-type Activities:

Water	\$ 735,562
Wastewater	1,049,419
Harbor	351,894
Building	8,021
Transit	261,809
Golf	4,359
Total depreciation expense - business-type activities	<u>\$ 2,411,064</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 8 OPERATING LEASES

The City leases (as lessee) equipment and real estate under operating leases, which are not, in the aggregate, material.

The City leases (as lessor) various office facilities & buildings, hangar facilities, tidelands & docks, and the golf course under operating leases to various entities and individuals. Total revenues from these leases for fiscal year ending June 30, 2013 were \$293,801. From this same period, the contingent rentals totaled \$81,218.

NOTE 9 LONG-TERM DEBT

A. Changes in long-term debt

Long-term liability activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at June 30, 2012	Prior Period Adjustments	Additions	Reductions	Balance at June 30, 2013	Due Within One Year
Governmental Activities:						
Compensated Absences	\$ 1,648,909	\$ -	\$ 1,089,331	\$ (1,335,932)	\$ 1,402,308	\$ 1,402,308
PERS side fund		7,994,409	568,573	(842,088)	7,720,894	893,042
Capital Leases	746,143		782,479	(230,087)	1,298,535	334,629
Total	\$ 2,395,052	\$ 7,994,409	\$ 2,440,383	\$ (2,408,107)	\$ 10,421,737	\$ 2,629,979
	Balance at June 30, 2012	Additions	Reductions	Balance at June 30, 2013	Due Within One Year	
Business-type Activities:						
Series 2002B CSCDA Revenue Bonds	\$ 2,745,000	\$ -	\$ (120,000)	\$ 2,625,000	\$ 125,000	
Series 2003A CSCDA Revenue Bonds	3,035,000		(130,000)	2,905,000	130,000	
Series 2005C CSCDA Revenue Bonds	6,275,000		(345,000)	5,930,000	355,000	
Series 2006A CSCDA Revenue Bonds	1,555,000		(50,000)	1,505,000	55,000	
Wastewater Revenue Bonds Series 2011	16,280,000		(265,000)	16,015,000	270,000	
Water Revenue Bonds Series 2012	9,370,000			9,370,000		
CA Muni Harbor Improvements Revenue Bonds	300,000		(95,000)	205,000	100,000	
Total Bonds Payable	39,560,000		(1,005,000)	38,555,000	1,035,000	
Bond Premium	528,889		(22,048)	506,841	21,880	
Deferred Loss on Refunding	(459,898)		34,709	(425,189)	(34,709)	
Compensated Absences	241,106	213,787	(259,772)	195,121	195,121	
Capital Lease	1,571,966		(289,243)	1,282,723	301,305	
Intergovernmental Loan Payable	2,040,357		(82,466)	1,957,891	86,177	
Total	\$ 43,482,420	\$ 213,787	\$ (1,623,820)	\$ 42,072,387	\$ 1,604,774	

B. PERS Side Fund

During the 2004-05 fiscal year, the City's Police and Fire plan was required to participate in the Public Employees Retirement System (PERS) risk pool. As a result, a side fund was created to account for the difference between the funded status of the pool and the funded status of the City's plan, in addition to the existing unfunded liability. The outstanding liability at June 30, 2013 was \$7,720,894.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 LONG-TERM DEBT (Continued)

C. Capital Leases

Governmental activities

During fiscal year 2005-06, the City entered into a capital lease for the purchase and furnishings of a fire truck, with a maximum value of \$425,000. The new lease also refunds the remaining portion of the old fire truck lease in the amount of \$77,241. The first payment on the new lease was made on July 15, 2008. As of June 30, 2013, the balance of this lease is \$79,157.

During fiscal year 2006-07, the City entered into a capital lease for major building renovations at City Hall with a maximum value of \$1,195,000. As of June 30, 2013, the balance of this lease is \$414,250.

During fiscal year 2008-09, the City entered into a capital lease for parking meters, with a maximum value of \$107,266. As of June 30, 2013, the balance of this lease is \$22,649.

During fiscal year 2012-13, the City entered into a capital lease for fire truck and roofing at the City Hall with a maximum value of \$782,479. As of June 30, 2013, the balance of this lease is \$782,479.

These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. As of June 30, 2013, the total balance for all capital leases related to governmental activities is \$1,298,535.

Business-type activities

During fiscal year 2006-07, the City entered into a capital lease agreement for an Automated Water Metering System with a maximum value of \$2,853,500. Annual installments of \$354,794 begin December 19, 2007 through December 19, 2016 at an interest rate of 4.17%. As of June 30, 2013, the balance of this lease is \$1,282,723.

The following is a schedule of the future minimum lease payments under these capital leases

Fiscal Year Ending June 30,	Governmental Activities Amount	Business-type Activities Amount
2014	\$ 392,042	\$ 354,794
2015	281,105	354,794
2016	281,107	354,794
2017	129,542	354,794
2018	129,542	
Thereafter	249,879	
Minimum lease payments	1,463,217	1,419,176
Less amount representing interest	(164,682)	(136,453)
Present value of minimum lease payments	<u>\$ 1,298,535</u>	<u>\$ 1,282,723</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 LONG-TERM DEBT (Continued)

D. Intergovernmental Loan

Business-type activities

On September 26, 1996, the City and Redevelopment Agency jointly entered into a loan and operation contract with the California Department of Boating and Waterways for the purpose of repairing and refurbishing the Eureka Boat Basin. The loan of \$2,750,000 is payable at 4.5% interest over 30 years. The outstanding balance as of June 30, 2013 was \$1,957,891. Future minimum debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 86,177	\$ 88,105	\$ 174,282
2015	90,055	84,227	174,282
2016	94,107	80,175	174,282
2017	98,342	75,940	174,282
2018	102,768	71,514	174,282
2019-2023	587,511	283,899	871,410
2024-2028	732,145	139,265	871,410
2029	166,786	7,505	174,291
	\$ 1,957,891	\$ 830,630	\$ 2,788,521

E. Revenue Bonds

Business-type activities

1973 Municipal Harbor Improvement Bonds due in annual installments of \$35,000 to \$105,000 through July 1, 2014; interest at 6.75%. Used to build a fish plant and dock facilities in Humboldt Bay, these bonds are payable exclusively from the revenues of an enterprise comprising the City's municipal harbor, and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. The outstanding balance as of June 30, 2013 was \$205,000. Future minimum debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 100,000	\$ 10,463	\$ 110,463
2015	105,000	3,544	108,544
	\$ 205,000	\$ 14,007	\$ 219,007

CSCDA Water Revenue Bonds (Pooled Financing Program), Series 2002B principal amount of \$3,625,000, due in annual installments through April 1, 2028; interest rates at 4.00% to 5.25%. Proceeds were used to finance various Water Utility projects. These bonds are payable exclusively from the revenues of the City's Water Utility, and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. The outstanding balance as of June 30, 2013 was \$2,625,000. Future debt service requirements to maturity are as follows:

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 LONG-TERM DEBT (Continued)

E. Revenue Bonds (Continued)

Business-type activities (Continued)

Fiscal Year Ending June 30,	Series 2002B CSCDA Revenue Bonds		
	Principal	Interest	Total
2014	\$ 125,000	\$ 129,286	\$ 254,286
2015	130,000	123,868	253,868
2016	135,000	118,237	253,237
2017	140,000	111,728	251,728
2018	145,000	104,318	249,318
2019-2023	855,000	398,970	1,253,970
2024-2028	1,095,000	149,494	1,244,494
Totals	<u>\$ 2,625,000</u>	<u>\$ 1,135,901</u>	<u>\$ 3,760,901</u>

CSCDA Wastewater Revenue Bonds (Pooled Financing Program), Series 2003A principal amount of \$4,040,000 due in annual installments through April 1, 2029; interest rates at 2.00% to 5.25%. Proceeds were used to finance various Wastewater Utility projects. These bonds are payable exclusively from the revenues of the City's Wastewater Utility, and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. The outstanding balance as of June 30, 2013 was \$2,905,000. Future debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Series 2003A CSCDA Revenue Bonds		
	Principal	Interest	Total
2014	\$ 130,000	\$ 130,171	\$ 260,171
2015	135,000	125,763	260,763
2016	140,000	121,018	261,018
2017	145,000	115,940	260,940
2018	150,000	110,500	260,500
2019-2023	855,000	441,409	1,296,409
2024-2028	1,100,000	195,253	1,295,253
2029	250,000	5,938	255,938
Totals	<u>\$ 2,905,000</u>	<u>\$ 1,245,992</u>	<u>\$ 4,150,992</u>

CSCDA Water Revenue Bonds (Pooled Financing Program), Series 2005C principal amount of \$8,110,000, due in annual installments through April 1, 2026; interest rates at 2.60% to 5.00%. Proceeds were used to advance refund the City's CSCDA 2000A Water and Wastewater Revenue Bonds. These bonds are payable exclusively from the City's Water Utility and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. The outstanding balance as of June 30, 2013 was \$5,930,000. Future debt service requirements to maturity are as follows:

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 LONG-TERM DEBT (Continued)

E. Revenue Bonds (Continued)

Business-type activities (Continued)

Fiscal Year Ending June 30,	Series 2005C CSCDA Revenue Bonds		
	Principal	Interest	Total
2014	\$ 355,000	\$ 261,983	\$ 616,983
2015	365,000	249,109	614,109
2016	380,000	235,323	615,323
2017	395,000	220,594	615,594
2018	410,000	204,995	614,995
2019-2023	2,330,000	723,875	3,053,875
2024-2026	1,695,000	129,625	1,824,625
Totals	<u>\$ 5,930,000</u>	<u>\$ 2,025,504</u>	<u>\$ 7,955,504</u>

CSCDA Water Revenue Bonds (Pooled Financing Program), Series 2006A principal amount of \$1,795,000, due in annual installments through April 1, 2032; interest rates at 3.00% to 5.00%. Proceeds were used to finance various Water System Projects. The bonds are payable solely from the revenue of the City's Water Utilities and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. The outstanding balance as of June 30, 2013 was \$1,505,000. Future debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Series 2006A CSCDA Revenue Bonds		
	Principal	Interest	Total
2014	\$ 55,000	\$ 65,985	\$ 120,985
2015	55,000	63,957	118,957
2016	55,000	61,860	116,860
2017	60,000	59,631	119,631
2018	60,000	57,268	117,268
2019-2023	350,000	245,166	595,166
2024-2028	440,000	151,365	591,365
2029-2032	430,000	39,827	469,827
Totals	<u>\$ 1,505,000</u>	<u>\$ 745,059</u>	<u>\$ 2,250,059</u>

The Wastewater Revenue Bonds, Series 2011 were issued in the amount of \$16,280,000, due in annual installments through October 1, 2041; interest rates at 2.00% to 5.00%. The purpose of this issue was to finance capital improvements including but not limited to the acquisition, construction and improvement of 1.5 miles of interceptor sewer piping and connections along the floor of the Martin Slough Valley, a pumping station, and approximately 1.6 miles of sewer force main piping from the pumping station to the City's wastewater treatment plant. The balance of the proceeds was used to pay the cost of issuing the bonds and to set up reserves for near term interest and future debt service payments. The bonds are payable solely from the revenue of the City's Wastewater System Revenues and are secured by a lien and pledge of such revenues. The outstanding balance as of June 30, 2013 was \$16,015,000. Future debt service requirements to maturity are as follows:

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 LONG-TERM DEBT (Continued)

E. Revenue Bonds (Continued)

Business-type activities (Continued)

Fiscal Year Ending June 30,	Wastewater Revenue Bonds Series 2011		
	Principal	Interest	Total
2014	\$ 270,000	\$ 766,106	\$ 1,036,106
2015	280,000	757,856	1,037,856
2016	290,000	747,856	1,037,856
2017	300,000	736,056	1,036,056
2018	310,000	723,081	1,033,081
2019-2023	1,805,000	3,371,722	5,176,722
2024-2028	2,320,000	2,859,616	5,179,616
2029-2033	2,940,000	2,238,541	5,178,541
2034-2038	3,745,000	1,425,625	5,170,625
2039-2042	3,755,000	387,125	4,142,125
Totals	<u>\$ 16,015,000</u>	<u>\$ 14,013,584</u>	<u>\$ 30,028,584</u>

The Water Revenue Bonds, Series 2012 were issued in the amount of \$9,370,000, due in annual installments through October 1, 2042; interest rates at 4.00% to 5.00%. The purpose of this issue was to finance the cost of improvements to the Water System of the City. The balance of the proceeds was used to pay the cost of issuing the bonds and to set up reserves for near term interest and future debt service payments. The bonds are payable solely from the revenue of the City's Water System Revenues and are secured by a lien and pledge of such revenues. The outstanding balance as of June 30, 2013 was \$9,370,000. Future debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Water Revenue Bonds Series 2012		
	Principal	Interest	Total
2014	\$ -	\$ 424,800	\$ 424,800
2015		424,800	424,800
2016		424,800	424,800
2017		424,800	424,800
2018		424,800	424,800
2019-2023		2,124,000	2,124,000
2024-2028		2,124,000	2,124,000
2029-2033	2,145,000	1,899,875	4,044,875
2034-2038	3,215,000	1,285,875	4,500,875
2039-2043	4,010,000	470,400	4,480,400
Totals	<u>\$ 9,370,000</u>	<u>\$ 10,028,150</u>	<u>\$ 19,398,150</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 LONG-TERM DEBT (Continued)

The annual requirements to amortize outstanding bonded indebtedness as of June 30, 2013 are as follows:

Fiscal Year Ending June 30,	Business-type				Total
	CSCDA Bonds	Wastewater Revenue Bonds	Water Revenue Bonds	Harbor Bonds	
2014	\$ 665,000	\$ 270,000	\$ -	\$ 100,000	\$ 1,035,000
2015	685,000	280,000		105,000	1,070,000
2016	710,000	290,000			1,000,000
2017	740,000	300,000			1,040,000
2018	765,000	310,000			1,075,000
2019-2023	4,390,000	1,805,000			6,195,000
2024-2028	4,330,000	2,320,000			6,650,000
2029-2033	680,000	2,940,000	2,145,000		5,765,000
2034-2038		3,745,000	3,215,000		6,960,000
2039-2043		3,755,000	4,010,000		7,765,000
	<u>\$ 12,965,000</u>	<u>\$ 16,015,000</u>	<u>\$ 9,370,000</u>	<u>\$ 205,000</u>	<u>\$ 38,555,000</u>

F. Compensated Absences

Employees may accumulate up to 30 days of vacation leave, except management employees, who may accumulate up to 44 days. Employees may accumulate an indefinite amount of sick leave. Vacation leave accrues at a rate determined by the employee's years of service and whether they work an 8-hour or 24-hour shift. The number of hours that accrue per month varies from 8 to 22. Vacation leave vests as it is accrued and unused vacation leave is payable upon retirement or termination. Compensation hours (executive leave) accrue for management and mid-management at 9 and 6 days per year, respectively. Compensation hours also accrue for police, fire and other specified employees in lieu of cash payments for overtime. A liability has been created to account for the accrued vacation and compensation leave in the government-wide financial statements. The City has in past liquidated compensated leave in the general fund and all the proprietary funds. Vested vacation pay is expensed as earned in the proprietary fund types. The City's liability for earned vacation and compensation pay consisted of the following amounts as of June 30, 2013:

Governmental Funds	\$ 1,353,085
Internal Service Funds	<u>49,223</u>
Subtotal Governmental Activities	1,402,308
Business-type Funds	<u>195,121</u>
Total	<u>\$ 1,597,429</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 10 OTHER INFORMATION

A. Risk Management

The City of Eureka is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The City participates in a public entity risk pool for workers' compensation, general liability and property insurance coverage. During fiscal year 2012-13 there were no significant reductions in insurance coverage.

B. Risk Pool Arrangements

The City is an associate member of the Redwood Empire Municipal Insurance Fund (REMIF), a public entity pool comprised of fifteen northern California charter and associate member cities. REMIF is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of REMIF is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

For each of its insurance programs, REMIF has a multilevel risk sharing arrangement. Initially each individual charter or associate member city participating in a program assumes its own losses up to a predetermined deductible level. Losses and claims in excess of the deductibles and within REMIF's stated retention limits are paid out of a central pool maintained by REMIF. This central pool is funded by all of the cities participating in that program through premium assessments. REMIF purchases excess loss insurance policies (reinsurance) to provide coverage for losses and claims in excess of REMIF's stated retention limits up to specified amounts. Losses and claims ceded to reinsurers would represent a contingent liability to REMIF if the reinsurers were unable to meet their existing obligations under the reinsurance agreements. Losses and claims which surpass the limits of the excess of loss insurance policies are the responsibility of the individual city in which the loss or claim originates.

REMIF programs do not insure the City's losses resulting from events which occurred prior to the March 1, 1993, the date on which the City became an associate member of REMIF.

The City of Eureka participates in the following three REMIF programs:

General Liability Insurance – Annual premiums are paid by the member cities and are adjusted retrospectively to cover costs. The City of Eureka self-insures for the first \$25,000 of each loss and pays 100% of all losses incurred under \$25,000. The City does not share or pay for losses of other cities under a range of between \$5,000 to \$25,000, depending on the entity's deductible amount. Participating cities then share in the next \$25,000 to \$500,000 per loss occurrence. Specific coverage includes comprehensive and general automotive liability, personal injury, contractual liability, professional liability, and certain other coverage. REMIF is a member of the California Joint Powers Risk Management Authority, which provides REMIF with an additional \$9,500,000 liability insurance coverage over and above REMIF retention level of \$500,000.

Worker's Compensation – Periodic deposits are paid by member cities and are adjusted retrospectively to cover costs. The City of Eureka is self-insured for the first \$10,000 of each loss and pays 100% of all losses incurred under \$10,000. The City does not share or pay for losses of other cities under \$10,000.

Losses of \$10,000 to \$300,000 are prorated among all participating cities. Losses in excess of \$300,000 are covered by excess insurance purchased by participating cities, as part of the pool, to State statutory limits.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 10 OTHER INFORMATION (Continued)

B. Risk Pool Arrangements (Continued)

Property Insurance – The City participates in REMIF's property insurance program. The annual deposits paid by participating member cities are based upon deductibility levels and are not subject to retroactive adjustments. The City of Eureka has a deductible level of \$10,000 and a coverage limit of \$60,000,000 declared value.

The following is a summary of the financial statements of REMIF as of and for the fiscal year ended June 30, 2012 (latest available):

Total Assets	\$ 18,010,735
Total Liabilities	14,429,297
Total Net Assets	3,581,438
Total Revenues	8,854,620
Total Expenses	8,805,881
Increase in Net Assets	48,739
Total Long-Term Debt	11,120,116

Other Insurance Programs

The City maintains the following programs for exposure to losses which are not covered by REMIF:

General Liability Insurance – Losses incurred after February 28, 1993, are covered by REMIF, as described in Paragraph A above. For losses incurred prior to March 1, 1993, the City accrues its share of general liability based on an analysis of past experience.

The City self-insures for \$100,000 per occurrence. The City's excess coverage is \$1,000,000 per occurrence with \$5,000,000 annual general aggregate coverage on the primary policy.

The total excess liability provides \$10,000,000 coverage per occurrence or in the aggregate annually.

Worker's Compensation Insurance – Losses incurred after February 28, 1993, are covered by REMIF, as described in Paragraph A above. For losses incurred prior to March 1, 1993, the City accrued workers' compensation liability based on an actuarial evaluation of claims, which was accomplished during the year ended June 30, 1996. The City self-insures claims up to \$90,000 during the first payment year following the date of the accident, \$50,000 during the second payment year, and \$40,000 during the third and each subsequent payment year following the date of the accident resulting in injury. Excess worker's compensation insurance coverage is maintained with a limit of \$2,000,000 to protect against catastrophic losses.

Group Health and Benefits – On August 1, 2002 the City terminated a self-insured group health and benefit program for its employees and eligible dependents. The self-insured group health and benefits "tail" claims were paid through June 30, 2003. City employees choose from a number of benefit plans (dental, health, vision, life insurance, long-term disability, 125 plan medical and/or dependent care) available to them through the City using the monthly fringe benefit contribution from the City. Each plan requires an employee deductible amount and pays benefit percentages that vary depending on plan carrier.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 11 CLAIMS ADJUSTMENTS

The City maintains an internal service fund to account for general liability insurance, worker's compensation insurance, and group health and benefits insurance. The primary source of revenue for this fund consists of charges for services to the other funds of the City of Eureka. Claims liabilities are based on the requirements of Governmental Accounting Standards Board Statement Nos. 10 and 30, which require that claims liabilities, including IBNR (incurred but not reported claims), be based on the estimated ultimate cost of settling the claims, using past experience adjusted for current trends and any other factors that would modify past experience. Claims liabilities include specific, incremental claim adjustment expenditures/expenses. Expenditures/expenses and liabilities may be estimated through a case by case review of all claims, the application of historical experience to the outstanding claims, or a combination of these methods. Estimates of IBNR losses are based on historical experience. Claims liability has not been accrued for risks of losses which have been transferred to the public entity risk pool (REMIF).

The following schedule presents changes in accrued claims payable for the fiscal years ended June 30, 2013 and June 30, 2012:

	General Liability Insurance	Worker's Compensation Insurance
Accrued claims payable, June 30, 2011	\$ 109,882	\$ 97,842
Provision for insured events payments	504,837	317,540
Payments made to public entity risk pool	(723,978)	(408,994)
Direct payments made by the City		(37,469)
Accrued claims payable, June 30, 2012	<u>(109,259)</u>	<u>(31,081)</u>
Provision for insured events payments	787,498	598,558
Payments made to public entity risk pool	(767,708)	(540,852)
Direct payments made by the City	<u>(14,090)</u>	<u>(149,402)</u>
Accrued claims payable, June 30, 2013	<u>\$ (103,559)</u>	<u>\$ (122,777)</u>

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Local Employees' Retirement System (LERS):

Plan description

The City of Eureka (City) is the administrator of the Fire and Police Pension Benefits Plan (Plan), which is a single-employer public employee retirement system (LERS) originally established by the City in accordance with the City charter and state statutes for the benefit of its employees. This plan was formally terminated June 30, 1984, when its only remaining participants were retired members and employees who did not elect to be covered by the state public employees' retirement system at August 24, 1969. The last active member retired in 1988.

Members of the Plan were given credit for service from their date of hire to the date of the Plan termination. Active and retired members were given a one-time election to receive, in lieu of other benefits promised under the Plan, a single-sum payment. The buy-out during fiscal year 1984-85 totaled \$9,513,214. There have been no additional buy-out payments since 1985.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Local Employees' Retirement System (LERS) (Continued):

Plan description (Continued)

LERS is included as part of the primary government of the City and is included in the City's financial statements as a fiduciary fund. As of June 30, 2013, LERS membership consisted of 13 police and fire retirees and beneficiaries currently receiving benefits. Under LERS, after twenty-five years or more of service, in the aggregate, or upon reaching the age of sixty-five years, each covered employee was entitled to receive a yearly pension, in semi-monthly installments, equal to one-half the amount of salary attached to the rank which he/she may have held in the Fire or Police Department. Any employee who had not worked the full period of twenty-five years before reaching the age of sixty-five was entitled to have the amount of pension prorated according to the number of years worked in proportion to the period of twenty-five years of active service required for the pension provision.

Basis of Accounting – The City of Eureka LERS financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized in the period in which the contributions are due. Benefit payments are recognized when due and payable in accordance with the terms of the plan.

Summary of significant accounting policies and plan asset matters

Methods Used to Value Investments – Investments are reported at fair value. Cash and Cash equivalents are reported at cost, which approximates fair value (see also Note 1, Section I). Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported as estimated fair value.

Contributions required and contributions made

The City's Municipal Code, Title III, Chapter 34, assigns the authority to establish and amend benefits provisions of the Plan to the City Council.

Funding Policy – Actuarial determined funding policy provides for recommended period employer contributions for a projected forty-year cash flow under a thirty-year funding policy. During the last 5 fiscal years, contributions were not made in accordance with actuarially determined requirements. During the fiscal year 2006-07, contributions from the General Fund were made to cover benefits on a "pay as you go" basis. No contributions were made during the fiscal year 2007-08. During the fiscal years 2009-10, 2010-11, and 2011-12, contributions from the General Fund were made to cover benefits on a "pay as you go" basis. All administrative costs are financed by the City.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Local Employees' Retirement System (LERS) (Continued):

Contributions required and contributions made (Continued)

Annual Pension Cost and Net Pension Obligation – The City's annual pension cost and net pension obligation to LERS for the 2012-13 fiscal year was as follows:

Annual required contribution	\$ (45,499)
Interest on net pension obligation	(47,466)
Adjustments to annual required contribution	<u>81,453</u>
Annual pension cost	(11,512)
Contribution made	<u>(466,199)</u>
Increase (decrease) in net pension obligation	(477,711)
Net pension obligation (assets), beginning of fiscal year	<u>(791,095)</u>
 Net pension obligation (assets), end of fiscal year	 <u><u>\$ (1,268,806)</u></u>

The annual required contribution for the fiscal year 2012-13 was determined as part of the June 30, 2013, actuarial review using the entry age normal cost method, with the determination of the initial unfunded actuarial liability as of June 30, 1988, and amortizing that value over the remaining portion of thirty years, with such thirty year period beginning with the date of the initial funding method at July 1, 1975. The unfunded actuarial liability is being amortized as a level dollar of projected payroll.

The actuarial assumptions included: (a) Rate of return on the investment of present and future assets of six percent per year, (b) projected salary increases of four percent per year attributable to inflation, and; (c) post-retirement mortality rates based on the 1971 Group Annuity Mortality Table, with a five-year setback for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments.

There was a material change in actuarial method for the fiscal year 1997-98 used to determine the Net Pension Obligation. The major change in the calculations dealt with the actuarial required contribution (ARC) for each of the years prior to 1997. The prior number was calculated with the recommended annual contributions being used as the ARC. Such recommended amounts amortized all gains and losses over a period that ends on June 30, 2013. The 2008-09 calculations were based on the required contributions under the entry age normal cost method, with the initial unfunded liability amortized over a period of forty years starting on July 1, 1974, actuarial experience gains and losses amortized over fifteen years from the date of recognition, and gains and losses created due to a change in actuarial assumptions amortized over thirty years. The June 30, 2012 actuarial valuation bases the calculations on the entry age normal cost method, with the initial unfunded liability amortized over a thirty year period starting on July 1, 1975, actuarial experience gains and losses being amortized over fifteen years, and gains and losses created due to a change in actuarial assumptions being amortized over thirty years. Except for the change in amortization of the initial unfunded liability from forty to thirty years noted above, there were no other material changes in the actuarial assumptions or benefit provisions.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Local Employees' Retirement System (LERS) (Continued):

Three year trend information

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Assets)
2011	\$ (14,660)	100%	\$ (589,002)
2012	(24,914)	100%	(791,095)
2013	(11,512)	100%	(1,268,806)

Funded Status — Most Recent Actuarial Valuation

According to the Plan's June 30, 2012 actuarial valuation, total actuarial assets of \$51,919 represented 1.29% of the total actuarial accrued liabilities of \$4,020,040 as of June 30, 2012. Additionally, total unfunded actuarial liabilities were \$3,968,121 at June 30, 2012 according to the valuation. For multiyear trend information, please refer to the schedules of funding progress in the supplementary information section of these financial statements. As noted in GASB Statement No. 50, this reference to the schedules of funding progress does not represent or imply incorporation of the schedules of funding progress into notes to the financial statements.

Public Employees' Retirement System (PERS)

Plan description

The City of Eureka contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. As of July 1, 2005, the City was mandated by the State to participate in the risk pool. The risk pool combines the assets and liabilities across employers of the same risk pool to provide a method to spread the risk of uncertain gains and losses over a larger base of members. Benefit provisions and all other requirements are established by state statute and Ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Annual Required Contribution

The City is required to contribute at an actuarially determined rate; the current rate is 22.429% both for miscellaneous employees and miscellaneous employees subject to Public Employees' Pension Reform Act of 2013 (PEPRA), 38.328% for police employees and 12.25 for police employee subject to PEPRA, and 39.268% for fire employees, 20.516% for fire tier 1, and 12.25 for fire employee subject to PEPRA for the fiscal year ended June 30, 2013 of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by CalPERS. The City's contributions to CalPERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$5,557,654, \$5,211,028, and \$4,523,703 respectively, and were equal to required contributions for each fiscal year.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 13 DEFERRED COMPENSATION PLANS

The City offers its employees two deferred compensation plans in accordance with Internal Revenue Code Section 457 as follows:

Full-time employees

This plan is available to all City full-time employees and permits them to defer a portion of their salary until future years. Participation in the plan is optional.

Part-time employees

This plan covers part-time employees, who in lieu of paying FICA, contribute 7.5 percent of their earnings as retirement benefits.

The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City deducts deferred compensation from employee compensation and forwards it to the Plan's administrator on a semi-monthly basis. The City amended its plan in order to conform to the amendments of the Internal Revenue Code. The amendments provide that the assets of the Plan shall be held for the exclusive benefit of the plan participants and their beneficiaries, and the assets shall not be diverted for any other purposes. The City has little administrative involvement, does not have custody of the assets, and does not perform the investing function. In addition, the City has no liability for any losses that may be incurred by the Plan.

NOTE 14 COMMITMENTS AND CONTINGENCIES

There are pending claims and litigation against the City, which are considered normal to the City's operation. City management is of the opinion that potential claims against the City not covered by insurance resulting from such litigation would not materially affect the basic financial statements of the City beyond funded reserves.

NOTE 15 SUBSEQUENT EVENTS

In preparing the accompanying financial statements, City management has reviewed all known events that have occurred after June 30, 2013, and through March 31, 2014, the date when this financial statement was available to be issued, for inclusion in the financial statements and footnotes.

NOTE 16 NET POSITION AND FUND BALANCES

GASB Statement No. 34 adds the concept of Net Position, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

a. Net Position

Net position is divided into three classifications under GASB Statement No. 34. These classifications apply only to net position as determined at the government-wide level, and are described below:

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 16 NET POSITION AND FUND BALANCES (Continued)

a. Net Position (Continued)

Net Investment in Capital Assets describes the portion of net position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include debt service requirements, and redevelopment funds restricted to low and moderate income housing purposes.

Unrestricted describes the portion of net position which is not restricted as to use.

The government-wide statement of net position reports \$16,694,651 of restricted net position, of which \$0 is restricted by enabling legislation.

b. Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

Fund Balances	General	Successor Housing Authority	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>				
Prepaid expenditures	\$ 85,935	\$ -	\$ -	\$ 85,935
Total Nonspendable	<u>85,935</u>			<u>85,935</u>
<u>Restricted for:</u>				
Housing		1,330,060	1,790,388	3,120,448
Law enforcement			519,948	519,948
Road improvements			972,895	972,895
Airport			120,386	120,386
Total Restricted		<u>1,330,060</u>	<u>3,403,617</u>	<u>4,733,677</u>
Unassigned:	1,822,717		(985,907)	836,810
Total Fund Balances	<u>\$ 1,908,652</u>	<u>\$ 1,330,060</u>	<u>\$ 2,417,710</u>	<u>\$ 5,656,422</u>

NOTE 17 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Eureka that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 17 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence as the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the state Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 17 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

Capital Asset activity for the fiscal year ended June 30, 2013 was as follows:

	Balance at July 1, 2012	Additions	Reductions	Transfers	Balance at June 30, 2013
Capital assets, not being depreciated:					
Construction in progress	\$ 2,046,099	\$ 351,108	\$ (26,662)	\$ (2,126,910)	\$ 243,635
Total capital assets, not being depreciated	2,046,099	351,108	(26,662)	(2,126,910)	243,635
Capital assets, being depreciated:					
Buildings				1,945,282	1,945,282
Machinery and equipment				181,628	181,628
Total capital assets being depreciated				2,126,910	2,126,910
Less accumulated depreciation for:					
Buildings		(48,632)			(48,632)
Machinery and equipment		(9,081)			(9,081)
Total accumulated depreciation		(57,713)			(57,713)
Total capital assets being depreciated, net		(57,713)		2,126,910	2,069,197
Capital assets, net	\$ 2,046,099	\$ 293,395	\$ (26,662)	\$ -	\$ 2,312,832

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2013:

Revenue Bonds Payable					
2003 Tax Allocation Revenue Bonds	\$ 15,250,000	\$ -	\$ (1,000,000)	\$ 14,250,000	\$ 1,040,000
2010 Lease Revenue Bonds Series A	4,960,000		(115,000)	4,845,000	120,000
2010 Lease Revenue Bonds Series B	4,235,000		(45,000)	4,190,000	45,000
Total Bonds Payable	24,445,000		(1,160,000)	23,285,000	1,205,000
Bond Discount	(114,932)		4,144	(110,788)	(4,144)
Deferred Loss on Refunding	(263,469)		60,800	(202,669)	(60,800)
Compensated Absences	106,949		(106,949)		
California Infrastructure Bank Loan	1,689,804		(109,341)	1,580,463	112,435
Total	\$ 25,863,352	\$ -	\$ (1,311,346)	\$ 24,552,006	\$ 1,252,491

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 17 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

Intergovernmental Loan

California Infrastructure Bank Loan (I-Bank)

On February 1, 2008, the Eureka Redevelopment Agency (Agency) entered into an agreement with I-Bank to borrow \$2,000,000 at 2.83% to construct C Street Market Square.

Loan proceeds are disbursed to the Agency as capital costs are incurred and submitted. Annual principal payments and semi-annual interest payments are due through November 2024. The agency will be credited for interest on undisbursed proceeds at 2.83%. A loan initiation fee of \$17,000 is being amortized over the seventeen years of the loan. The amount outstanding as of June 30, 2013 was \$1,580,463.

The following is the debt service schedule:

Fiscal Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 112,435	\$ 43,133	\$ 155,568
2015	115,617	39,906	155,523
2016	118,889	36,588	155,477
2017	122,254	33,176	155,430
2018	125,714	29,667	155,381
2019-2023	683,991	92,130	776,121
2024-2026	301,563	8,592	310,155
	\$ 1,580,463	\$ 283,192	\$ 1,863,655

Revenue Bonds

2003 Tax Allocation Revenue Refunding Bonds, issued by Eureka Public Financing Authority (Authority), in the amount of \$15,250,000. The bond issue consisted of the following: \$15,250,000 serial bonds carrying interest rates of 4.00% to 4.80% and maturing in annual increments of \$1,000,000 to \$1,600,000 with maturity dates of November 1 each year from 2012 through 2023. The outstanding balance as of June 30, 2013 was \$14,250,000.

These bonds are secured by a first lien on and pledge of all the amounts payable by the Agency and the Authority pursuant to loan agreements between the Agency and the Authority, and other revenues specified in the indenture. Each loan agreement is secured by a first pledge of and lien on the incremental tax revenues received by the Agency from redevelopment project areas. Each loan is additionally secured by a first and exclusive pledge of and lien upon all of the money held in the Reserve Account established with respect to the related loan. These bonds are payable solely from the revenues discussed in this paragraph and are not secured by the general taxing power of the City of Eureka.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 17 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

Revenue Bonds (Continued)

Future minimum debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,040,000	\$ 617,543	\$ 1,657,543
2015	1,085,000	575,042	1,660,042
2016	1,125,000	528,031	1,653,031
2017	1,175,000	478,043	1,653,043
2018	1,225,000	427,030	1,652,030
2019-2023	7,000,000	1,233,653	8,233,653
2024	1,600,000	38,400	1,638,400
	<u>\$ 14,250,000</u>	<u>\$ 3,897,742</u>	<u>\$ 18,147,742</u>

The Eureka Public Financing Authority also issued two series of bonds in January 2010.

The 2010 Lease Revenue Bonds, Series A (Taxable) were issued in the amount of \$4,960,000. The purpose of this issue was to pay off an advance owed to the City of Eureka's General Fund in the amount of \$3,584,373. The balance of the proceeds was used to pay the cost of issuing the bonds and to set up reserves for near term interest and future debt service payments. Interest rates on this issue of bond indebtedness vary from 5.5% to 8.0%. The bond issue matures in annual increments with maturity dates on November 1 of each year from 2012 through 2032, the termination date of the Eureka Redevelopment Agency (Agency) at which time the remaining balance becomes due. The bonds were issued with \$89,468 discount. The outstanding balance as of June 30, 2013 was \$4,845,000.

The 2010 Lease Revenue Bonds, Series B (Tax Exempt) were issued in the amount of \$4,235,000. The purpose of this issue was to finance the costs of certain public capital improvements within the Redevelopment project area to include improvements to the Boardwalk with the construction of the C Street Market Square and the Fishermen's Terminal Building. A portion of the proceeds will also be used to repay a note payable from the Eureka Redevelopment Agency to the City of Eureka Wastewater Fund. The balance of the proceeds was used to pay the cost of issuing the bonds and to set up reserves for near term interest and future debt service payments. Interest rates on this issue of bond indebtedness vary from 2.25% to 5.875%. The bond issue matures in annual increments with maturity dates on November 1 of each fiscal year from 2012 through 2037, the termination date of the agency, at which time the remaining balance becomes due. The outstanding balance as of June 30, 2013 was \$4,190,000.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 17 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

Revenue Bonds (Continued)

Future minimum debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Series A Bonds		Series B Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 120,000	\$ 361,050	\$ 45,000	\$ 236,155	\$ 165,000	\$ 597,205
2015	125,000	354,312	50,000	234,724	175,000	589,036
2016	135,000	347,162	50,000	232,974	185,000	580,136
2017	140,000	338,550	50,000	231,011	190,000	569,561
2018	150,000	328,400	55,000	228,783	205,000	557,183
2019-2023	920,000	1,461,513	310,000	1,101,896	1,230,000	2,563,409
2024-2028	1,320,000	1,047,888	405,000	1,005,082	1,725,000	2,052,970
2029-2033	1,935,000	411,000	540,000	871,260	2,475,000	1,282,260
2034-2037			2,685,000	326,797	2,685,000	326,797
Totals	<u>\$ 4,845,000</u>	<u>\$ 4,649,875</u>	<u>\$ 4,190,000</u>	<u>\$ 4,468,682</u>	<u>\$ 9,035,000</u>	<u>\$ 9,118,557</u>

Advances to/from City of Eureka

Due to the State SERAF payment requirement during fiscal year 2010, the Redevelopment Agency Debt Service Fund had insufficient cash to make the payment. Borrowing from the Redevelopment Low and Moderate Housing Special Revenue Fund was authorized by State SERAF legislation. The fund will repay the Housing Fund by June 2016. The outstanding balance as of June 30, 2013 was \$656,101.

The Redevelopment Agency Debt Service Fund borrowed \$429,069 from the Water Fund for water redevelopment project costs. Interest accrues on these advances at a variable rate based on current earnings for the City as a whole. At the end of the fiscal year, unpaid interest is added to the principal of the advances. The outstanding balance as of June 30, 2013 was \$491,288.

The Redevelopment Agency Debt Service Fund borrowed \$6,013,622 from the Wastewater Fund for wastewater redevelopment project costs. Interest accrues on these advances at a variable rate based on current earnings for the City as a whole. At the end of the fiscal year, unpaid interest is added to the principal of the advances. The outstanding balance as of June 30, 2013 was \$4,655,485.

Receivable Funds	Payable Funds	Amount
Major Low and Moderate Income Housing Fund	Successor Agency Debt Service Fund	\$ 656,101
Major Water Enterprise Fund	Successor Agency Debt Service Fund	491,288
Major Wastewater Enterprise Fund	Successor Agency Debt Service Fund	4,655,485
		<u>\$ 5,802,874</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 19 PRIOR PERIOD ADJUSTMENTS

	Government-wide Statements Governmental Activities	Government-wide Statements Business-type Activities	
Reason for adjustments			
Understatement of capital assets	\$ 839,528	\$ 162,399	
(Understatement) of unearned revenue		(46,313)	
(Understatement) of PERS side fund payable	(7,994,409)		
	<u>\$ (7,154,881)</u>	<u>\$ 116,086</u>	
	<u>Proprietary Funds</u>		
	Water Enterprise Fund	Wastewater Enterprise Fund	
Reason for adjustments			
(Overstatement) Understatement of capital assets	\$ 190,410	\$ 193,137	
(Understatement) of unearned revenue			
	<u>\$ 190,410</u>	<u>\$ 193,137</u>	
	<u>Proprietary Funds</u>		
	Harbor Enterprise Fund	Transit Enterprise Fund	Golf Enterprise Fund
Reason for adjustments			
(Overstatement) Understatement of capital assets	\$ (30,347)	\$ (78,683)	\$ (112,118)
(Understatement) of unearned revenue	(46,313)		
	<u>\$ (76,660)</u>	<u>\$ (78,683)</u>	<u>\$ (112,118)</u>
	<u>Private-Purpose Trust Fund Successor Agency Debt Service Fund</u>		
Reason for adjustments			
(Understatement) of unearned revenue	<u>\$ (1,942,087)</u>		
	<u>\$ (1,942,087)</u>		

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF EUREKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 18,531,700	\$ 18,781,700	\$ 19,542,556	\$ 760,856
Licenses, permits, and fees	961,200	961,200	940,600	(20,600)
Fines and penalties	224,000	224,000	252,688	28,688
Investment income	9,000	9,000	(4,294)	(13,294)
Intergovernmental	3,142,765	3,516,106	2,604,293	(911,813)
Charges for services	4,499,283	4,499,283	3,792,428	(706,855)
Other revenues	312,060	314,010	639,770	325,760
Total Revenues	27,680,008	28,305,299	27,768,041	(537,258)
Expenditures:				
General government-				
Council	100,319	146,319	157,604	(11,285)
Mayor	26,819	26,819	27,658	(839)
City Manager	333,597	516,275	529,302	(13,027)
City Clerk	232,998	232,998	218,130	14,868
Human Resources	416,456	416,456	420,601	(4,145)
Finance	762,224	762,224	642,280	119,944
City Attorney	372,314	372,314	381,321	(9,007)
Non-departmental	(1,816,499)	(1,628,290)	1,562,547	(3,190,837)
Public safety-				
Police	12,177,925	12,208,526	10,599,706	1,608,820
Fire	7,911,325	7,919,059	6,820,366	1,098,693
Public works-				
Engineering	610,476	612,299	628,129	(15,830)
Maintenance	2,272,474	2,353,718	1,883,811	469,907
Community development	729,891	729,891	683,217	46,674
Culture and recreation	2,888,444	2,895,734	2,601,363	294,371
Capital outlay	819,441	918,547	991,459	(72,912)
Debt service -				
Principal payments	238,556	238,556	207,548	31,008
Interest and fiscal charges	48,464	48,464	29,964	18,500
Total Expenditures	28,125,224	28,769,909	28,385,006	384,903
Excess of revenues over (under) expenditures	(445,216)	(464,610)	(616,965)	(152,355)
Other Financing Sources (Uses):				
Proceeds from capital leases			338,000	338,000
Transfers in	1,251,638	1,251,638		(1,251,638)
Transfers out	(1,574,001)	(1,574,001)	(104,714)	1,469,287
Total Other Financing Sources (Uses)	(322,363)	(322,363)	233,286	555,649
Net changes in fund balance	(767,579)	(786,973)	(383,679)	403,294
Fund Balance, beginning of fiscal year	2,292,331	2,292,331	2,292,331	
Fund Balance, end of fiscal year	\$ 1,524,752	\$ 1,505,358	\$ 1,908,652	\$ 403,294

CITY OF EUREKA
SUCCESSOR HOUSING AUTHORITY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Investment income	\$ -	\$ -	\$ 46,571	\$ 46,571
Charges for services			14,113	14,113
Other revenues			849,350	849,350
Total Revenues			910,034	910,034
Expenditures:				
Current:				
Community development			760,443	(760,443)
Total Expenditures			760,443	(760,443)
Net Changes in Fund Balances			149,591	149,591
Fund Balance, beginning of fiscal year	1,180,469	1,180,469	1,180,469	
Fund Balance, end of fiscal year	\$ 1,180,469	\$ 1,180,469	\$ 1,330,060	\$ 149,591

CITY OF EUREKA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2013

SCHEDULE OF FUNDING PROGRESS - Local Employees' Retirement System (LERS)

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (AVA)	Actuarial Accrued Liabilities (AAL)	Unfunded AAL (UAAL)	Funded Ratio (AVA)/(AAL)	Annual Covered Payroll	UAAL as a Percentage of Covered payroll
6/30/1996	\$ 1,500,695	\$ 6,955,634	\$ 5,454,939	21.6%	N/A	N/A
6/30/1997	1,486,314	6,851,822	5,365,508	21.7%	N/A	N/A
6/30/1998	1,477,862	7,013,672	5,535,810	21.1%	N/A	N/A
6/30/1999	1,177,209	6,883,361	5,706,152	17.1%	N/A	N/A
6/30/2000	1,271,710	6,178,799	4,907,089	20.6%	N/A	N/A
6/30/2001	1,426,952	6,078,866	4,651,914	23.5%	N/A	N/A
6/30/2002	1,521,478	6,648,840	5,127,362	22.9%	N/A	N/A
6/30/2003	1,310,755	6,517,915	5,207,160	20.1%	N/A	N/A
6/30/2004	1,253,920	5,749,458	4,495,538	21.8%	N/A	N/A
6/30/2005	875,905	5,599,704	4,723,799	15.6%	N/A	N/A
6/30/2006	904,323	4,985,969	4,081,646	18.1%	N/A	N/A
6/30/2007	1,284,477	4,806,301	3,521,524	26.7%	N/A	N/A
6/30/2008	849,471	4,959,400	4,109,929	17.1%	N/A	N/A
6/30/2009	634,937	4,740,136	4,105,199	13.4%	N/A	N/A
6/30/2010	348,920	4,926,194	4,577,274	7.1%	N/A	N/A
6/30/2011	15,016	4,682,353	4,667,337	0.3%	N/A	N/A
6/30/2012	51,919	4,020,040	3,968,121	1.3%	N/A	N/A
6/30/2013 *	25,252	3,792,045	3,766,793	0.7%	N/A	N/A

* Actuarial review and update based on the June 30, 2012 actuarial valuation date.

Schedule of Employer Contributions		
Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
1996	\$ 590,693	85%
1997	590,693	69%
1998	616,275	69%
1999	616,275	24%
2000	556,724	90%
2001	556,724	90%
2002	607,686	68%
2003	607,686	74%
2004	571,992	74%
2005	(123,022)	100%
2006	(163,025)	100%
2007	(121,366)	100%
2008	(88,525)	100%
2009	(31,650)	100%
2010	8,496	100%
2011	14,660	100%
2012	(24,914)	100%
2013	(11,512)	100%

CITY OF EUREKA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2013

SCHEDULE OF FUNDING PROGRESS - Local Employees' Retirement System (LERS)
(Continued)

Information as of the latest actuarial valuation follows:

Valuation date	6/30/2012 (June 30, 2013)
Actuarial cost method	Entry Age
Amortization method	Straight Line Amortization – Closed
Remaining amortization period	40 year period beginning with the date of initial funding method (7/1/1975)
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	6.0%
Projected salary increases	4.0%

NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. These funds are required by statute or ordinance to finance particular functions or activities of government. The Special Revenue Funds of the City are:

- **Gas Tax/State Highway Funds** – These funds are required by state law to account for gas tax monies allocated by the State. Taxes levied by the State on gasoline and other motor fuels are allocated among cities, counties, and the State. The funds can be used for street and road expenditures, as defined by state law. Occasionally, other street and road related grants are receipted into these funds. Other revenues include State Highway funds traded for Federal ISTEA funds (per California Senate Bill 1435). The funds can be used for the same purposes as gas tax funds (see above). Under SB 45, the State Transportation Improvement Plan provides funding for approved local street projects. Revenues are derived from both state and federal funds. Revenue received from CalTrans through the sale of property to fund projects that provide congestion relief for travel through the City is also allocated here. These funds are also used to account for revenue received from the State for the purpose of street and highway pavement maintenance, rehabilitation, and reconstruction of necessary associated facilities such as drainage and traffic devices.

- **Habitat Acquisition and Restoration Fund** – This fund is used to account for grants and other funds restricted or designated specially for acquisition, restoration, or mitigation projects approved by the City.

- **Environmental Programs Fund** – Revenues to this fund are restricted by law for implementation of various environmental programs throughout the City, particularly solid waste source reduction.

- **Special Police Funds** – These funds are used to account for revenues from several programs which are restricted as to use for police programs. These include drug asset forfeitures, vehicle theft funds, the State supplemental law enforcement services program, traffic offender funds, abandoned vehicle abatement funds, and the California law enforcement equipment program fund.

- **Parking Fund** – Revenues to this fund consist primarily of parking fees and fines that are used for the maintenance of parking lots, signs, meters and enforcement activities.

- **Capital Improvements Fund** – Revenues to this fund include state and federal grants and transfers from other City funds designated by Council action to be used for specified capital maintenance/improvement projects.

- **Demolition Projects Fund** – Revenues to this fund consist primarily of transfers from the General Fund and are to be used for abatement actions authorized by the Municipal Code or by the Uniform Building Code.

- **Airport Fund** – Revenues to this fund are restricted by law for maintenance and capital improvements at the Eureka Municipal Airport.

- **Special Fire Funds** – These funds receive revenues from the Hazardous Materials (Hazmat) Authority, the General Fund, and grants and response charges to operate the Hazmat response team.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

SPECIAL REVENUE FUNDS (CONTINUED)

• **Housing Fund** – This fund is used to account for all housing funds of the City, including: the proceeds of Community Development Block grants, as required by federal regulations; reimbursement of block grant economic development loans (“program income”); rental rehabilitation state grant funds; Home Investment Partnership Program (HOME) for loans of federal and state grant funds; and local housing to operate as a revolving loan fund. Funding sources for the housing loan programs include grants and loan repayments.

DEBT SERVICE FUND

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and related costs on long-term obligations. The Debt Service Fund of the City is:

• **Public Financing Authority Fund** – This fund was established to repay principal and interest of the tax allocation bonds issued by the Eureka Public Financing Authority. Debt service payments are made from the proceeds of loan repayments from the Eureka Redevelopment Agency.

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CITY OF EUREKA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2013

	Special Revenue Funds				
	Gas Tax/ State Highway	Habitat Acquisition and Restoration	Environmental Programs	Special Police	Parking
Assets					
Cash and investments	\$ 1,017,136	\$ -	\$ -	\$ 888,958	\$ 57,637
Accounts receivable	58,163	90,000	7,515	227,862	
Interest receivable	1,342	(220)	6	(468)	77
Notes and loans receivable					
Advances to other funds					
Total Assets	\$ 1,076,641	\$ 89,780	\$ 7,521	\$ 1,116,352	\$ 57,714
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 100,886	\$ 729	\$ 694	\$ 13,838	\$ 5,088
Due to other funds		166,014	8,132	776,680	
Deposits payable					
Payroll and related liabilities	6,536		546	4,979	2,481
Unearned revenue		90,000		52,785	
Advances from other funds					
Total Liabilities	107,422	256,743	9,372	848,282	7,569
Fund Balances:					
Restricted	969,219			268,070	50,145
Unassigned		(166,963)	(1,851)		
Total Fund Balances (Deficits)	969,219	(166,963)	(1,851)	268,070	50,145
Total Liabilities and Fund Balances	\$ 1,076,641	\$ 89,780	\$ 7,521	\$ 1,116,352	\$ 57,714

Special Revenue Funds					Public Financing Authority Debt Service	Total Nonmajor Governmental Funds
Capital Improvements	Demolition Projects	Airport	Special Fire	Housing		
\$ - 10,385	\$ - 21,150	\$ 120,896 1,674 152	\$ 203,848 274	\$ 1,790,342 2,333 2,006,483 34,605	\$ -	\$ 4,078,817 416,749 3,496 2,006,483 34,605
<u>\$ 10,385</u>	<u>\$ 21,150</u>	<u>\$ 122,722</u>	<u>\$ 204,122</u>	<u>\$ 3,833,763</u>	<u>\$ -</u>	<u>\$ 6,540,150</u>
\$ - 6,709	\$ 17,246 807,997	\$ 2,238 98	\$ 1,897 492	\$ 11,742 150 2,031,483	\$ -	\$ 154,358 1,765,532 150 15,132 2,174,268 13,000
<u>6,709</u>	<u>13,000</u> <u>838,243</u>	<u>2,336</u>	<u>2,389</u>	<u>2,043,375</u>		<u>4,122,440</u>
3,676	(817,093)	120,386	201,733	1,790,388		3,403,617 (985,907)
<u>3,676</u>	<u>(817,093)</u>	<u>120,386</u>	<u>201,733</u>	<u>1,790,388</u>		<u>2,417,710</u>
<u>\$ 10,385</u>	<u>\$ 21,150</u>	<u>\$ 122,722</u>	<u>\$ 204,122</u>	<u>\$ 3,833,763</u>	<u>\$ -</u>	<u>\$ 6,540,150</u>

CITY OF EUREKA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Special Revenue Funds				
	Gas Tax/ State Highway	Habitat Acquisition and Restoration	Environmental Programs	Special Police	Parking
REVENUES					
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ -	\$ 61,705
Fines and penalties				121,429	104,545
Investment income		(1,648)	(4)	(1,974)	214
Intergovernmental	958,330	809	42,667	1,070,080	
Charges for services	12,008			51,609	593
Other revenues	42,590		20,725	179,055	
Total Revenues	1,012,928	(839)	63,388	1,420,199	167,057
EXPENDITURES					
Current:					
General government					
Public safety				719,760	90,161
Public works	658,292	15,228	73,615		42,289
Community development					
Capital outlay	416,603			1,360,804	14,864
Debt service:					
Principal payments					22,539
Interest and fiscal charges					2,448
Total Expenditures	1,074,895	15,228	73,615	2,080,564	172,301
Excess of Revenues Over (Under) Expenditures	(61,967)	(16,067)	(10,227)	(660,365)	(5,244)
OTHER FINANCING SOURCES (USES)					
Transfers in				2,667	
Proceeds from capital lease				444,479	
Total Other Financing Sources (Uses)				447,146	
Net Changes in Fund Balances	(61,967)	(16,067)	(10,227)	(213,219)	(5,244)
Fund Balances (Deficits), beginning of fiscal year	1,031,186	(150,896)	8,376	481,289	55,389
Fund Balances (Deficits), end of fiscal year	\$ 969,219	\$ (166,963)	\$ (1,851)	\$ 268,070	\$ 50,145

Special Revenue Funds					Public Financing Authority Debt Service	Total Nonmajor Governmental Funds
Capital Improvements	Demolition Projects	Airport	Special Fire	Housing		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,705
433	1,875	704	948	23,280		225,974
458,807		10,000		293,030		23,828
		563	17,977			2,833,723
21	10,494	15,445	114	165,547		82,750
						433,991
459,261	12,369	26,712	19,039	481,857		3,661,971
			52,743			862,664
		109,345		330,647	5,688	898,769
573,208	262,544					336,335
						2,628,023
						22,539
						2,448
573,208	262,544	109,345	52,743	330,647	5,688	4,750,778
(113,947)	(250,175)	(82,633)	(33,704)	151,210	(5,688)	(1,088,807)
						2,667
						444,479
						447,146
(113,947)	(250,175)	(82,633)	(33,704)	151,210	(5,688)	(641,661)
117,623	(566,918)	203,019	235,437	1,639,178	5,688	3,059,371
\$ 3,676	\$ (817,093)	\$ 120,386	\$ 201,733	\$ 1,790,388	\$ -	\$ 2,417,710

**CITY OF EUREKA
NONMAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Gas Tax / State Highway			Habitat Acquisition and Restoration		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and penalties						
Investment income					(1,648)	(1,648)
Intergovernmental	2,261,332	958,330	(1,303,002)	263,880	809	(263,071)
Charges for services	17,500	12,008	(5,492)			
Other revenues	20,700	42,590	21,890			
Total Revenues	2,299,532	1,012,928	(1,286,604)	263,880	(839)	(264,719)
Expenditures:						
Current:						
General government						
Public safety						
Public works	703,877	658,292	45,585	263,880	15,228	248,652
Community development						
Capital outlay	2,416,461	416,603	1,999,858			
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	3,120,338	1,074,895	2,045,443	263,880	15,228	248,652
Excess of Revenues Over (Under)						
Expenditures	(820,806)	(61,967)	758,839		(16,067)	(16,067)
Other Financing Sources						
(Uses):						
Transfers in						
Transfers out						
Proceeds from capital leases						
Total Other Financing Sources						
(Uses)						
Net Changes in Fund Balances	(820,806)	(61,967)	758,839		(16,067)	(16,067)
Fund Balances (Deficits), beginning of fiscal year	1,031,186	1,031,186		(150,896)	(150,896)	
Fund Balances (Deficits), end of fiscal year	\$ 210,380	\$ 969,219	\$ 758,839	\$ (150,896)	\$ (166,963)	\$ (16,067)

Environmental Programs			Special Police			Parking		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,120	\$ 61,705	\$ (4,415)
			81,159	121,429	40,270	106,000	104,545	(1,455)
100	(4)	(104)	4,100	(1,974)	(6,074)	500	214	(286)
56,200	42,667	(13,533)	944,287	1,070,080	125,793			
			32,000	51,609	19,609	1,160	593	(567)
15,000	20,725	5,725	208,357	179,055	(29,302)			
71,300	63,388	(7,912)	1,269,903	1,420,199	150,296	173,780	167,057	(6,723)
			754,411	719,760	34,651	90,236	90,161	75
80,337	73,615	6,722				41,906	42,289	(383)
			204,721	1,360,804	(1,156,083)		14,864	(14,864)
						22,532	22,539	(7)
						2,455	2,448	7
80,337	73,615	6,722	959,132	2,080,564	(1,121,432)	157,129	172,301	(15,172)
(9,037)	(10,227)	(1,190)	310,771	(660,365)	(971,136)	16,651	(5,244)	(21,895)
			100,000	2,667	(97,333)			
				444,479	444,479			
			100,000	447,146	347,146			
(9,037)	(10,227)	(1,190)	410,771	(213,219)	(623,990)	16,651	(5,244)	(21,895)
8,376	8,376		481,289	481,289		55,389	55,389	
\$ (661)	\$ (1,851)	\$ (1,190)	\$ 892,060	\$ 268,070	\$ (623,990)	\$ 72,040	\$ 50,145	\$ (21,895)

(Continued)

**CITY OF EUREKA
NONMAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

	Capital Improvements			Demolition Projects		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and penalties						
Investment income		433	433		1,875	1,875
Intergovernmental	230,000	458,807	228,807			
Charges for services						
Other revenues		21	21	155,000	10,494	(144,506)
Total Revenues	230,000	459,261	229,261	155,000	12,369	(142,631)
Expenditures:						
Current:						
General government						
Public safety						
Public works						
Community development						
Capital outlay	420,822	573,208	(152,386)	529,500	262,544	266,956
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	420,822	573,208	(152,386)	529,500	262,544	266,956
Excess of Revenues Over (Under)						
Expenditures	(190,822)	(113,947)	76,875	(374,500)	(250,175)	124,325
Other Financing Sources						
(Uses):						
Transfers in						
Transfers out						
Proceeds from capital leases						
Total Other Financing Sources (Uses)						
Net Changes in Fund Balances	(190,822)	(113,947)	76,875	(374,500)	(250,175)	124,325
Fund Balances (Deficits), beginning of fiscal year	117,623	117,623		(566,918)	(566,918)	
Fund Balances (Deficits), end of fiscal year	\$ (73,199)	\$ 3,676	\$ 76,875	\$ (941,418)	\$ (817,093)	\$ 124,325

Airport			Special Fire			Housing		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,500	704	(2,796)	4,900	948	(3,952)	20,850	23,280	2,430
10,000	10,000					429,000	293,030	(135,970)
500	563	63	79,908	17,977	(61,931)			
10,300	15,445	5,145		114	114	101,127	165,547	64,420
24,300	26,712	2,412	84,808	19,039	(65,769)	550,977	481,857	(69,120)
			96,382	52,743	43,639			
179,024	109,345	69,679				1,583,594	330,647	1,252,947
179,024	109,345	69,679	96,382	52,743	43,639	1,583,594	330,647	1,252,947
(154,724)	(82,633)	72,091	(11,574)	(33,704)	(22,130)	(1,032,617)	151,210	1,183,827
			(165,000)		165,000			
			(165,000)		165,000			
(154,724)	(82,633)	72,091	(176,574)	(33,704)	142,870	(1,032,617)	151,210	1,183,827
203,019	203,019		235,437	235,437		1,639,178	1,639,178	
\$ 48,295	\$ 120,386	\$ 72,091	\$ 58,863	\$ 201,733	\$ 142,870	\$ 606,561	\$ 1,790,388	\$ 1,183,827

(Continued)

CITY OF EUREKA
NONMAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

	Public Financing Authority Debt Service		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Licenses, permits, and fees	\$ -	\$ -	\$ -
Fines and penalties			
Investment income			
Intergovernmental			
Charges for services			
Other revenues			
Total Revenues			
Expenditures:			
Current:			
General government			
Public safety			
Public works			
Community development		5,688	(5,688)
Capital outlay			
Debt service:			
Principal payments	1,425,000		1,425,000
Interest and fiscal charges	2,393,422		2,393,422
Total Expenditures	3,818,422	5,688	3,812,734
Excess of Revenues Over (Under)			
Expenditures	(3,818,422)	(5,688)	3,812,734
Other Financing Sources			
(Uses):			
Transfers in	3,818,422		(3,818,422)
Transfers out			
Proceeds from capital leases			
Total Other Financing			
Sources (Uses)	3,818,422		(3,818,422)
Net Changes in Fund Balances		(5,688)	
Fund Balances (Deficits), beginning of fiscal year	5,688	5,688	
Fund Balances (Deficits), end of fiscal year	\$ 5,688	\$ -	\$ (5,688)

INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement No. 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement No. 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

However, internal service funds are still presented separately in the Fund Financial Statements, including the funds below:

- **Equipment Operations Fund** - This fund was established as an internal service fund through which City departments are charged for the use of vehicles and other equipment, based on actual operating costs. In addition, rates for vehicles and heavy equipment include a depreciation contribution factor to establish a reserve for future replacement.

- **Risk Management Fund** - This fund is used to account for the City's workers' compensation program, general liability and property insurance program, and group health program. In March, 1993 the City joined the Redwood Empire Municipal Insurance Fund for its workers' compensation and liability insurance programs, changing from self-insurance to a municipal; insurance pool. The City will continue to administer worker's compensation claims from prior to March, 1993, and existing liability claims. In August 2002, the City changed from its group health self-insurance program and joined three separate municipal insurance pools that are dependent on the respective employees' bargaining unit. Prior claims were paid through May 2003.

- **Information Technology Operations Fund** - This fund was established to develop a reserve account for information technology equipment and software and will be used to fund future equipment and major software replacements based on an analysis of future needs. Each department is assessed an annual amount that will provide adequate funds to replace current computer and related equipment. In addition, the fund provides City-wide support for all office automation equipment.

CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2013

	Equipment Operations	Risk Management	Information Technology Operations	Totals
ASSETS				
Current assets:				
Cash and investments	\$ 1,667,247	\$ -	\$ 351,313	\$ 2,018,560
Accounts receivable - net		6,318		6,318
Interest receivable	2,165	(408)	401	2,158
Prepaid items		20,000		20,000
Total current assets	<u>1,669,412</u>	<u>25,910</u>	<u>351,714</u>	<u>2,047,036</u>
Capital Assets:				
Depreciable				
Buildings	429,246			429,246
Improvements	31,236			31,236
Equipment	<u>6,718,758</u>		<u>822,563</u>	<u>7,541,321</u>
Total depreciable capital assets	7,179,240		822,563	8,001,803
Less accumulated depreciation	<u>(5,661,451)</u>		<u>(759,563)</u>	<u>(6,421,014)</u>
Total capital assets, net	<u>1,517,789</u>		<u>63,000</u>	<u>1,580,789</u>
Total Assets	<u>3,187,201</u>	<u>25,910</u>	<u>414,714</u>	<u>3,627,825</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	71,814	182,795	61,859	316,468
Due to other funds		259,031		259,031
Claims and judgments payable		226,336		226,336
Compensated absences	35,376		13,847	49,223
Payroll and related liabilities	<u>16,248</u>		<u>6,659</u>	<u>22,907</u>
Total current liabilities	<u>123,438</u>	<u>668,162</u>	<u>82,365</u>	<u>873,965</u>
NET POSITION				
Net investment in capital assets	1,517,789		63,000	1,580,789
Unrestricted	<u>1,545,974</u>	<u>(642,252)</u>	<u>269,349</u>	<u>1,173,071</u>
Total Net Position (Deficits)	<u>\$ 3,063,763</u>	<u>\$ (642,252)</u>	<u>\$ 332,349</u>	<u>\$ 2,753,860</u>

CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Equipment Operations	Risk Management	Information Technology Operations	Totals
Operating Revenues:				
Charges for services	\$ 1,711,526	\$ 1,227,517	\$ 924,818	\$ 3,863,861
Other operating revenues	33,326	46,268	2,141	81,735
Total Operating Revenues	1,744,852	1,273,785	926,959	3,945,596
Operating Expenses:				
Maintenance and operation	1,405,747	84,525	959,153	2,449,425
Administration				
Insurance costs and claims	23,808	1,773,212		1,797,020
Depreciation	400,083		25,804	425,887
Total Expenses	1,829,638	1,857,737	984,957	4,672,332
Operating Income (Loss)	(84,786)	(583,952)	(57,998)	(726,736)
Non-Operating Revenues (Expenses)				
Investment income (loss)	5,295	(6,691)	(1,012)	(2,408)
Total Non-Operating Revenues/(Exp)	5,295	(6,691)	(1,012)	(2,408)
Change in Net Position	(79,491)	(590,643)	(59,010)	(729,144)
Net Position (Deficits), beginning of fiscal year	3,143,254	(51,609)	391,359	3,483,004
Net Position (Deficits), end of fiscal year	\$ 3,063,763	\$ (642,252)	\$ 332,349	\$ 2,753,860

**CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Equipment Operations	Risk Management	Information Technology Operations	Totals
Cash Flows from Operating Activities:				
Receipts from customers/interfund charges	\$ 1,744,852	\$ 1,272,271	\$ 926,959	\$ 3,944,082
Payments to suppliers and users	(854,956)	(1,658,993)	(621,209)	(3,135,158)
Payments to employees	(531,117)		(300,317)	(831,434)
Net Cash Provided (Used) by Operating Activities	358,779	(386,722)	5,433	(22,510)
Cash Flows from Non-capital Financing Activities:				
Due to/from other funds		259,031		259,031
Net Cash Provided by Non-capital Financing Activities		259,031		259,031
Cash Flows from Capital and Related Financing Activities:				
Acquisitions of capital assets/ adjustments	(172,320)			(172,320)
Net Cash Used by Capital and Related Financing Activities	(172,320)			(172,320)
Cash Flows from Investing Activities:				
Interest received (charged)	6,704	(5,700)	(399)	605
Net Cash Provided (Used) by Investing Activities	6,704	(5,700)	(399)	605
Net Increase (Decrease) in Cash and Cash Equivalents	193,163	(133,391)	5,034	64,806
Cash and Cash Equivalents, July 1, 2012	1,474,084	133,391	346,279	1,953,754
Cash and Cash Equivalents, June 30, 2013	\$ 1,667,247	\$ -	\$ 351,313	\$ 2,018,560
Cash and Investments on Combining Statement of Net Position	\$ 1,667,247	\$ -	\$ 351,313	\$ 2,018,560
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (84,786)	\$ (583,952)	\$ (57,998)	\$ (726,736)
Adjustments to Reconcile Operating Income (Loss) to Net Cash provided (used) by operating activities:				
Depreciation	400,083		25,804	425,887
(Increase) Decrease in Operating Assets:				
Accounts receivable		(1,514)		(1,514)
Prepaid expenses		64,799		64,799
Increase (Decrease) in Operating Liabilities:				
Claims and judgments payable		85,996		85,996
Accounts payable	39,288	47,949	34,849	122,086
Compensated absences	572		2,603	3,175
Payroll and related liabilities	3,622		175	3,797
Net Cash Provided (Used) by Operating Activities	\$ 358,779	\$ (386,722)	\$ 5,433	\$ (22,510)

FIDUCIARY FUNDS

FIDUCIARY FUNDS

Fiduciary fund are used to account for the receipt and disbursements of various taxes, deposits, deductions, and property collected by the City, acting in the capacity of an agent for distribution to other governmental units or other organizations. Fiduciary fund financial statements include a statement of net position and statement of changes in net position.

The Fiduciary Funds are used to account for assets held by the City as an agent for other governmental units.

- **Hazardous Material Response Authority Fund** – This fund receives revenues from the Hazardous Materials (Hazmat) Authority, the General Fund, grants and response charges to operate the Hazmat response team.

Private-Purpose Trust Funds are used to account for assets held by the City as trustee for the Redevelopment Agency Successor Agency.

- **Successor Agency Administration Fund** – This fund was established to account for administrative services provided by the City to the former Redevelopment Agency.

- **Successor Agency Housing Fund** – This is a former Redevelopment Agency Fund established pursuant to California Redevelopment Law to account for the deposit of twenty percent of tax increment revenues received by the Redevelopment Agency. The funds are to be used to increase and improve the community's supply of low and moderate income housing.

- **Successor Agency Capital Project Fund** – This fund was established to account for the capital improvements of the former Redevelopment Agency which are financed by proceeds of tax allocation bonds and City advances.

- **Successor Agency Debt Service Fund** – This fund are used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest of the former Redevelopment Agency.

CITY OF EUREKA
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Hazardous Material Response Authority	Successor Agency Administration	Successor Agency Housing
Assets:			
Cash and Investments	\$ 162,679	\$ 33,799	\$ -
Cash and Investments with Fiscal Agent, Restricted			
Interest Receivable	216		
Notes Receivable			
Notes Receivable - Allowance			
Other Receivable		947	
Deferred Charges, Net of Accumulated Amortization			
Land held for resale			
Capital Assets, Not Being Depreciated			
Capital Assets, Net of Accumulated Depreciation			
Total Assets	<u>162,895</u>	<u>34,746</u>	<u></u>
Liabilities:			
Accounts Payable		6,786	
Payroll payable		3,766	
Interest Payable			
Advance from City of Eureka			
Unearned revenue		179,250	
Noncurrent Liabilities:			
Due within One Year			
Due in More than One Year			
Total Liabilities	<u></u>	<u>189,802</u>	<u></u>
Net Position:			
Unrestricted	162,895	(155,056)	
Total Net Position (Deficits)	<u>\$ 162,895</u>	<u>\$ (155,056)</u>	<u>\$ -</u>

Successor Agency Capital Project	Successor Agency Debt Service	Totals
\$ 122,026	\$ 2,394,174	\$ 2,712,678
292,549	778,417	1,070,966
158	2,831	3,205
16,911		16,911
(16,911)		(16,911)
16,600		17,547
	364,553	364,553
4,488,678		4,488,678
243,635		243,635
2,069,197		2,069,197
<u>7,232,843</u>	<u>3,539,975</u>	<u>10,970,459</u>
15,410		22,196
8		3,774
	214,032	214,032
	5,802,874	5,802,874
	1,301,529	1,480,779
	1,252,491	1,252,491
	<u>23,299,515</u>	<u>23,299,515</u>
<u>15,418</u>	<u>31,870,441</u>	<u>32,075,661</u>
7,217,425	(28,330,466)	(21,105,202)
<u>\$ 7,217,425</u>	<u>\$ (28,330,466)</u>	<u>\$ (21,105,202)</u>

**CITY OF EUREKA
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Hazardous Material Response Authority	Successor Agency Administration	Successor Agency Housing
Additions:			
Taxes	\$ -	\$ 405,796	\$ -
Investment income		(259)	
Intergovernmental	69,429		
Charges for services		4,728	6,953
Other revenues		3,900	
Total Additions	<u>69,429</u>	<u>414,165</u>	<u>6,953</u>
Deductions:			
Administration		390,338	
Depreciation			
Community Development			648,203
Interest Expense		33,354	
Pass-through payments			
Total Deductions		<u>423,692</u>	<u>648,203</u>
Change in Net Position	<u>69,429</u>	<u>(9,527)</u>	<u>(641,250)</u>
Net Position (Deficits), beginning of fiscal year	93,466	(145,529)	641,250
Prior Period Adjustments			
Net Position (Deficits), beginning of fiscal year, restated	<u>93,466</u>	<u>(145,529)</u>	<u>641,250</u>
Net Position (Deficits), end of fiscal year	<u>\$ 162,895</u>	<u>\$ (155,056)</u>	<u>\$ -</u>

Successor Agency Capital Project	Successor Agency Debt Service	Totals
\$ -	\$ 3,245,095	\$ 3,650,891
3,005	6,096	8,842
		69,429
		11,681
3,100	5,687	12,687
<u>6,105</u>	<u>3,256,878</u>	<u>3,753,530</u>
38,509	1,560	430,407
57,713		57,713
		648,203
	1,401,515	1,434,869
	1,646,062	1,646,062
<u>96,222</u>	<u>3,049,137</u>	<u>4,217,254</u>
(90,117)	207,741	(463,724)
7,307,542	(26,596,120)	(18,699,391)
	(1,942,087)	(1,942,087)
<u>7,307,542</u>	<u>(28,538,207)</u>	<u>(20,641,478)</u>
<u>\$ 7,217,425</u>	<u>\$ (28,330,466)</u>	<u>\$ (21,105,202)</u>

CITY OF EUREKA
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2013

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
<u>Trust Holding Fund</u>				
<u>Assets:</u>				
Cash and investments	\$ 170,987	\$ 52,431	\$ 69,523	\$ 153,895
Total Assets	<u>\$ 170,987</u>	<u>\$ 52,431</u>	<u>\$ 69,523</u>	<u>\$ 153,895</u>
<u>Liabilities:</u>				
Accounts payable	\$ 1,180	\$ 150	\$ 1,180	\$ 150
Deposits payable	169,807	52,281	68,343	153,745
Total Liabilities	<u>\$ 170,987</u>	<u>\$ 52,431</u>	<u>\$ 69,523</u>	<u>\$ 153,895</u>